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Vol. III

**MAY, 1909, TO APRIL, 1910
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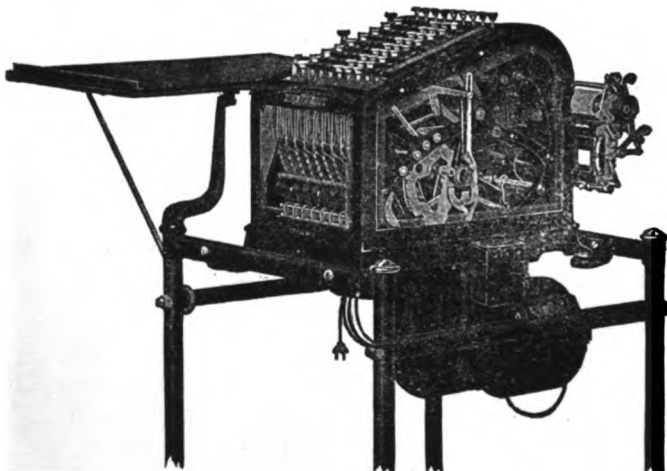
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
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*(An address delivered before the Association of American Government
Accountants.)*

Through the courtesy of your President, Dr. Powers, and at his cordial and urgent solicitation, I accepted his invitation to address you on the subject of New York City's Budgetary and Accounting Revision, and am pleased to be with you to-night for the purpose of giving a brief outline of what we are now undertaking in our Department of Finance, towards establishing improved methods in public administration through budgetary control and a significant classification of expense accounting.

The pressure of official business during the past several months has been unusually great, and has been due in a large measure to the budgetary revision and other undertakings which I shall refer to later on, together with the necessary preparations for the sale of \$12,500,000 of our city bonds which took place yesterday; and it was therefore only because of the splendid work which the Census Bureau, under the able guidance of Dr. Powers, is and has been doing in the cause of improved public accounting and reporting, and because of the character and purpose of your Association—the members of which must be undoubtedly interested in all movements having for their purpose improved efficiency in the systems of public accounts—that I could see my way clear to devote the time necessary to be with you and to present the subject matter of this evening's address in such a manner as I hope will prove of interest to you all.

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Since the latter part of 1906 the Department of Finance of the City of New York has undertaken to make history on a large scale in the field of Municipal Accounting, and there is now in process the institution of changes in the departmental organization and in the manner of conducting the city's accounts which, when fully tested, will—if the new expedients are warranted and become fairly established—effect a marked alteration in the routine and processes of many of the city's accounting bureaus, and obsolete many of the present characteristics that have obtained for nearly a century past.

In recognition of the growing interest manifested by the public in the greater clarity of municipal reports, we heartily accepted the suggestion to co-operate in this work, offered by the Bureau of Municipal Research—a civic organization which is being maintained by public spirited citizens of our great city who are desirous to aid in the problem of how best to improve and revise the accounting methods obtaining in the City Departments, to the end of establishing greater administrative control over the revenues and expenditures of the city.

A committee composed of accountants and other experts in their several lines, culled from my immediate staff, was accordingly appointed to co-operate with said bureau in discussing the adequacy or inadequacy of current administrative methods and devising remedies where needed. The first principle which was formally accepted by the Board of Estimate and Apportionment at its meeting held October 30, 1906, was that of functional segregation in the classification of departmental budgets, which principle was to be applied to the Department of Health for the year 1907.

At a subsequent conference on April 1, 1907, arrangement was made for an analysis and reclassification of the expenditures of the Department of Water Supply, Gas and Electricity, in the same manner as had already been done in the Department of Health, and on May 16th the work was further extended to include the Department of Street Cleaning, and Bellevue and Allied Hospitals.

It was recognized at the outset that a reclassification of the budgets along functional lines would entail also a reclassification of expenditures co-ordinating therewith, and attention was accordingly directed to the designing and installation of a system of accounts in the several Departments which should be adequate to the new requirements and establish a working relationship with the new facts to be dealt with. As a result of the special study devoted to them, the four Departments before named opened their books at the beginning of 1908 in accordance with an amended classification of appropriations or budget accounts, and with an entirely new and uniform scheme of bookkeeping, which had been formulated by a special committee in the latter part of 1907, and which

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sought to provide control over stores, contracts, orders, invoices and vouchers in a manner that would currently verify and reflect the operating expenses of the several divisions or dependencies of each department.

Partly through want of preparation and an early familiarity with the new order of things, only the Department of Health, Bellevue and Allied Hospitals and the Department of Street Cleaning were able to conform, with an approximate degree of completeness, to the new regime, but its general features and working possibilities will be fairly well measured and determined by the end of the current year, when the advisability of its extension to other departments of the city government can be considered in the light of actual experience.

The contemplated revision of the bookkeeping methods of the remaining thirty odd city departments represents, however, only one side of the work to be accomplished. Another feature of the contemplated installation is of even greater importance. I refer to the reorganization of the Department of Finance and changes in the manner of conducting the general city accounts so radical and preserving so little of the old methods as fairly to be considered more a reconstruction than a revision of the system that has heretofore obtained.

Inasmuch, however, as we are just entering upon the substitution of the new for the old, and, by reason of the volume and range of our operations, must perforce take up one feature at a time, it is now too early to offer any precise or even comprehensive account of what we are now undertaking, either with respect to the plan of reorganization or to the presumptive merits of the new expedients; but there can be little doubt that within a year's time from now our endeavors will have resulted in the solution of some very interesting problems in municipal organization and accounting when conducted upon a scale compatible with the magnitude of the great City of New York.

On September 1 of this year there was put into operation a revised system for drawing, signing, recording and disbursing warrants. This system involved the immediate discontinuance of a number of records, and the release, for other work, of about twenty clerks who were employed in maintaining them. This installation has affected not only the work of several bureaus of the Department of Finance, but the city chamberlain's and the mayor's offices, and the office of the commissioners of accounts. The most conspicuous feature of the new system for handling warrants is the substitution of an octuplicate typewritten record for the various independently kept book records previously maintained in the several offices through which warrants are required to pass. By a single writing a record is made for each of the eight offices affected, which heretofore required a separate posting for each of them.

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The following are the records which the adoption of the new system has made *unnecessary*:

1. Eight (8) Registers of Claims in the Bureau of Audit.
2. Four (4) Claims Records, previously kept in the Bureau of Audit.
3. Fourteen (14) classes of Warrant Registers, heretofore kept in the Bureau of Bookkeeping and Awards.
4. Daily Abstracts of Warrants Drawn.
5. Thirteen (13) Memorandum Registers of Warrants maintained in the Bureau of Bookkeeping and Awards.
6. One (1) Summary Appropriation Ledger, maintained in the Bureau of Bookkeeping and Awards.
7. Fourteen (14) classes of Warrant Registers, kept in the office of the mayor for the purpose of recording warrants countersigned.
8. Warrant Registers kept in the office of the Disbursing Clerk.
9. Disbursement Records kept in the office of the Commissioners of Accounts.

In place of the foregoing books, the schedules, made in eight copies on the typewriter, are filed in toto, serving not only the same purpose as the independent records which they supplant, but providing additional information necessary to establish controlling accounts.

In addition to the revision of the system for handling warrants, plans are in preparation for the simplification of the processes with respect to vouchers received from departments for payment, and to establish a basis for the accounts kept in the Department of Finance, which enable the chief accountant to exercise control over the accuracy of the accounts kept in the several departments of the city.

The Auditor of Receipts is also engaged upon the preparation of plans to bring under control the various bureaus and divisions of the city government receiving moneys, and to thus fully and adequately protect the city's revenues.

In order that there may be uniformity in the form and size of stationery and blanks used by the city for licenses, permits, privileges and receipts issued, and at the same time a medium be established for effective control over the several issuing departments and offices, it has been determined that engraved stationery, specially designed for control, be adopted along the following lines and classifications:

Revenues from rents will be considered as accruals to the city, derived from leasehold agreements, etc.

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Revenues from licenses will be considered as accruals to the city, derived from its formal grant, or from permission to persons or corporations to conduct classes of business, etc.

Revenues from permits will be considered as accruals to the city from formal grants or permission by persons in executive or administrative authority for the performance of special acts, the nature of which is specifically defined by the terms of the instrument conveying such grants and the performance of which acts terminates the grants.

Revenues from office fees, penalties, etc., will be considered as accruals to the city, derived as compensation for clerical and other official services, such as recording, docketing, certifying, administering oaths, etc., and from imposition of charges by courts and other offices exercising judicial discretion.

Also revenues from—

Taxes.

Assessments.

Water Rents.

Redemptions.

Franchises and Miscellaneous Receipts.

Tolls.

Forfeitures.

Interest.

Advances.

There are certain features of the proposed change which give promise of substantial and lasting benefit, either in the form first introduced or in such form as these will assume after actual working has suggested amendments or modifications. There are other features which, in spite of the apparent logic of the theories upon which they rest, are regarded with some apprehension, but, in any event, I believe that ultimately good will come out of the experiment by confirming the worth or worthlessness of theories which invite the test of practical application, even if in some instances the experiment proves to be costly.

* * * * *

Returning to the subject of functional segregation in the classification of departmental budgets, I should like here to say a few words by way of elucidating what the expression used actually means.

The primary objects of the annual budget are to determine and provide the funds for the operating expenses of each city department, and, at the same time, to limit the expenditure thereof in the same prescribed sum or amount, and so exercise control over the total governmental expenditures of the city by restricting each department at the outset to a predetermined and stated annual credit.

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In order that the underlying purpose of the control so exercised may be realized to the fullest practical extent, not only are the contemplated expenditures for each department (regarded as a general function) measured and fixed, but also the expenditures of those several bureaus and divisions, where such exist, and for the specific purposes (regarded as subordinate functions) which each undertakes to fulfill, are in like manner estimated and made the subjects of stated credits, collectively constituting the total sum available for the department as a whole; and while the total sum may under no circumstances be exceeded, the component or subcredits in *our* city budgets possess a limited elasticity through permission granted by the Board of Estimate and Apportionment to make transfers from one subcredit to another within the same department upon proof of the inadequacy of one credit and the over-provision of another, and that such transfer is advisable. The principle, however, that each subcredit provided for a specific subordinate function must be expended solely for such purpose remains unchanged, and, theoretically, is as absolute as the exactions which apply to the applications of the total departmental appropriation.

As every city department, in the main, and each division or bureau thereof, is engaged in activities dissimilar from any or all of the others and so fulfills functions peculiar to itself, and as budget control, to be effective, must relate each credit to the specific purpose to be accomplished or thing to be done and so follow functional lines, the departmental estimates and related appropriation accounts applicable to each of said departments, bureaus and divisions must necessarily be stated under titles characteristic of the functional activities, and so differ in each instance.

On the other hand, no matter what peculiar service or undertaking may distinguish a department or subdivision thereof, the expenditures, regarded according to their character instead of purpose, will fall under one or more of a few general headings common to all departments, and in this respect the administrative control exercised by means of distinguishing between different *expenses* instead of *functions* may be stated under titles characteristic of the few possible subjects of expenditure applicable to all departments alike. While, therefore, the titles of accounts operated for the purpose of exercising budgetary control will be as numerous, varied and peculiar to each department as the separate governmental functions comprehended within their several collective activities, the titles of accounts that may be operated for purposes of administrative control upon expense lines will be comparatively few in number and not peculiar to any one particular department more than to another.

In the budgets as heretofore composed and the correspond-

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ing appropriation accounts operated there has been a marked failure to properly distinguish between *functions* and *expenses*, and accounts embracing both classes appear as components of one and the same total budget appropriation, so that, while an attempt is made to exercise both budget and administrative control, no complete control of either kind is realized. Take, for instance, the appropriation for the year 1906 of the Department of Correction, Borough of Manhattan, and we find the following specific budget appropriations:

1. Salaries	\$299,944.50
2. Supplies and Contingencies.....	377,948.00
3. Additions, Repairs and Improvements to Buildings, Apparatus and Steamboats	15,175.00
4. Donations to Discharged Prisoners..	2,000.00
5. Transportation, Maintenance and Expenses of Insane Criminals....	500.00
6. Improvement of Riker's Island.....	15,000.00
	<hr/>
	\$710,567.50

The inconsistency of the above composition is obvious. Items 1 and 2 are clearly expense items, while Items 3, 4, 5 and 6 are clearly functional. As the expense items 1 and 2, so specifically provided, would normally be incident to the functional items which follow, their separate recognition only in gross destroys all budgetary control over the application of these two largest sums to the uses which the department is charged with performing; while the sums provided for functional purposes are understated by the omission of the principal expense incident thereto, and are accordingly controlled only to the amount of the lesser expenses, the character of which being in no way indicated is consequently in no way subject to administrative control.

As no department is theoretically constituted for the sole purpose of paying salaries for no other reason than to provide private incomes to the persons to whom said salaries are paid, it is obviously absurd to consider salaries as an item for exercising budgetary control; and alternatively, as all departments are charged with the accomplishment of certain specific ends the budget control should recognize only such ends without regard to the composite elements of salaries, supplies, equipments, etc.—except as a supplementary consideration—because the latter are purely matters of administrative control through the medium of expense accounts.

The basic principle, therefore, which should govern the preparation of departmental estimates finds expression in the following form:

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General Functions:

Administrative cost of central office.

Operating cost of department at large, stated under the general functions comprised.

Administrative and operating cost of each of the several bureaus and divisions in one round sum for each, to be supported by bureau or division estimates.

Specific functions, submitted for each bureau or division separately:

Administrative cost of bureau or division.

Operating cost, stated according to functions or descriptive titles of undertakings in one account for each, without regard in this classification to any expense, such as salaries, supplies, maintenance, equipment, contingencies, etc., incident to the fulfillment of such functions.

After establishing the total sum required to perform each specific function, each of such sums is to be justified or warranted by its subdivision according to the character and amount of each element of expense, as salaries, wages, supplies, materials, equipment, etc., by which the degree of economy exercised in the performance of such functions may be comprehended, approved and criticised by the Board of Estimate.

A budget made up from departmental estimates submitted on the lines just described, and the appropriation accounts opened in conformity therewith, *would absolutely establish and limit the credit applicable to each actual governmental purpose under significant titles, clearly reflecting the character of the functions*, and in conformity with the nomenclature and sequence by and under which such functions are recognized, grouped and related in the most advanced schemes of municipal accounting and reporting, of which the schedules adopted by the Census Bureau are a good example.

In addition to the budget or functional accounts forming the contents of the appropriation ledger, an expense ledger would be conducted, containing accounts with each element of expense, wherein administrative control over the expenditures for salaries, supplies, materials, equipment, contingencies, etc., could be as effectually exercised as that afforded over the expenditures for functional activities. To do so it would only be necessary to *endorse each voucher for charge to both the functional and the expense accounts* to which it is applicable, and to register and collate the items with respect to both subjects for posting to the respective appropriation and expense ledgers.

As the departmental estimates would develop two classifications of the credit required, one according to the functions and the other according to the expenses, both regulating expe-

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dients could be carried into the budget, and stated and limited credits could be established both in the appropriation and expense ledgers against which the warrants could be charged, and neither of such credits could be exceeded without permission from the Board of Estimate and Apportionment after due inquiry and authority for a transfer of funds.

In carrying this principle to its conclusion it would be practicable to prepare a table, dividing the expenditures for every function into the expense accounts related thereto, and also to prepare a table distributing every expense account among the several governmental functions to which it contributed, it being only necessary to conduct a separate group of expense accounts for each function.

With such a system installed and continued, the control over departmental expenditure would approach the absolute, for not only would the amount expended for each and every purpose be distinctly and accurately reflected in the accounts—a condition which does not now obtain—but the manner in which it was spent and the relative volume of salaries, wages, materials and other expense divisions in past and current years would come equally under scrutiny and regulation, a feature which heretofore has been entirely ignored in the city's accounting system and procedure.

This principle may apply with equal advantage to bond funds provided upon estimate of requirements, which may not only be restricted to the particular undertaking indicated by the title of the fund equivalent to a functional title of a budget item, but also apportioned among the several classes of expense originally forming the basis of the calculation by which the required total sum was deduced, and requiring all warrants registered for payment out of such fund to indicate the specific expense title to which they relate.

The titles of expense accounts would naturally become standard after the classification of expenses had been fully considered and determined, and as a step in that direction the following suggestions are offered:

General titles to be substituted for those heretofore in use:

- I. Salaries—subdivided.
- II. Wages—subdivided.
- III. Materials.
- IV. Tools and Implements—subdivided.
- V. Equipment—subdivided.
- VI. Maintenance Supplies.
- VII. Consumable Supplies.
- VIII. Contingent Expenses.

It will be observed that rent, water, gas, electricity and telephone are omitted from the above list. Where such, under

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present conditions, form a part of a department's expenses and so enter into its departmental estimate and budget, they would have to be regarded as items, but it seems to me that, properly, such items being indispensable facilities to every department's existence, they should be regarded as general city expenses, applicable to no specific function, and therefore not matters for which such departments as do not occupy public buildings should be required to petition the Board of Estimate and Apportionment. As all departments alike must be housed and supplied with facilities for communication, one general appropriation account for rents, for telephone and for gas and electricity would seem more in keeping with the true situation than to encumber the estimates of some of the departments with such details—while other departments are relieved of any concern regarding them.

No graver problems of government confront civilized countries than those developed during the last quarter of a century in the management of the affairs of American cities. In addition to the great functions of education, the conservation of public health and sanitation, the protection of life and property and the care of the poor and the sick—all of which are involved in the government of large municipalities—there is the all-important and ever-present question of finance, in which is the necessity to provide the revenues to meet the requirements of administration in a manner that should bear equitably on all property values and thus tend to and assure a continuous normal growth of the community and the well-being of its citizens. This can best be done, as can every other phase of financial administration, through the guidance and control which a well organized system of financial and statistical accounting would make possible.

There are still, I believe, some fiscal officers who attach little value to statistical records, however systematic or well adjusted; and, on the other hand, there are men actively interesting themselves in the problem of municipal accounting who would enter so largely into the statistical field in connection therewith as almost to render the production of statistics more important than the conditions or facts which give rise to them. Both of these extremes must be guarded against if municipal accounting is to develop along such rational lines as will make it of the greatest practical utility to the growing requirements and increasing functions of the modern municipality; if, in brief, it is to be kept free of bewildering projections and improved, as time and experience indicate and enlarging activities require, along such lines of orderly arrangement as to make it the basis for an intelligent administration of affairs and form the medium from and through which all significant publicity as to administration would at reasonable times be given.

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The President of your association, Dr. LeGrand Powers, chief statistician, United States Census Bureau, in an admirable address to the National Association of Comptrollers and Accounting Officers, on the occasion of its first annual convention at Chicago, on the subject of "Uniform Municipal Accounts," said:

"In general, it is true that the accounts of the most progressive private enterprises have reached a higher development than those of governments."

In all probability this observation of Dr. Powers' is, in the main, correct, although in the periodical reports and statements of many large and important financial and business institutions and concerns there is still much room for improvement. There are, however, two main reasons which have tended to hinder the development or evolution of comprehensive and rational methods in government bookkeeping—National, State and municipal. One is that the material inducements by government for accountancy skill have not been nearly as attractive or remunerative as have been held out by private enterprise, where the value of the skilled accountant is becoming better understood and recognized as our great industries develop and our schemes of finance ramify in the most subtle complications; another is that municipal bookkeeping is so hedged around (and oftentimes properly so) by statutory checks and requirements as to hamper and hinder in various ways the full development of a rational scheme of accounts. This statement is not made as an excuse for the backward condition of municipal bookkeeping, but merely to assert the fact that the municipal accountant is not always as free to devise and install a direct and simple scheme of working accounts as his brother who is devoting his skill to the formulating or improvement of bookkeeping expedients for the private corporation, no matter how extensive or varied its business may be.

It seems to me, therefore, that every public official upon whom devolves the responsibility of administering the people's affairs, and every one who is earnestly interested in the establishing of improved methods of public finance and the extension of the movement for the installation of a uniform system of municipal and State accounting and reporting should recognize the wisdom of endeavoring to make the profession of municipal accountant so attractive that, instead of being looked upon as a makeshift, it would be aspired to as the profession of a lifetime by men fit to rank among the brightest and most skilled of American accountants. In the promotion of legislation towards these ends great care should be at all times exercised to omit needless details from the statutes, and in this regard leave the accountant as free as possible to design a system

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that would give the clearest and most significant expression to the administration of the public trust or undertaking.

The movement for the installation of a uniform system of State and municipal accounting, which is the main object of the Association of Comptrollers and Accounting Officers previously referred to, and which has been so largely encouraged by that part of the work of the United States Census Bureau conducted under the skilful direction of Dr. Powers, while one of the least conspicuous, is among the most important movements in recent years, and the study and work now quietly going forward in an effort to improve the efficiency of municipal and other public accounts and realize a greater control by improved administrative methods over the direction of public undertakings and expenditure of public moneys must make its impress for good in the administration of both our great and our lesser cities and States.

In all purposes and projects bearing upon this all-important subject it should ever be borne in mind that all plans or schemes of accounting should be as simple and direct as the undertaking or purpose of the accounts will admit. They should be designed to strip the subject of intricacy rather than adding complications. Many latent necessities attach to features of established processes, which processes may be condemned *in toto* because of defects they may possess *only in part*. I am, therefore, an advocate of the principle that all definite action in the direction of working a change in methods of municipal accounts should follow more in the line of evolution than revolution, and should recognize the safety that attaches to firmly placing one foot before taking up the other in the forward march of progress.

In this connection I would discourage the idea of too high a degree of organization in public accounts. By this I mean that in the zeal to *cut out* duplication of work in the interest of economy, the records of bureaus or departments may so lose their independent movement and become so interdependent in action that a breakdown at one point would unduly paralyze all others. I also mean that in the matter of classification and analysis constant care should be exercised not to classify or analyze merely for the purpose of doing so. Useless segregation is both costly and meaningless, and all contemplated classification should be clearly significant and the analysis obviously serviceable for administrative purposes, otherwise it is of no value.

The transactions of the great city of New York, both as to current administration and with respect to permanent betterments, have grown to such vast proportions and involve such complexity and complication of considerations that the skilled accountant is becoming every year more indispensable, and his constructive ability is being more and more called into

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play. During our administration it has been our purpose, with the help of accountancy skill, to keep on improving the accounting system in the Department of Finance, and also in the other city departments, so that through a significant classification of revenues and expenditures and a proper grouping of the accounts and the employment of accounting expedients, we may so classify all transactions as to develop the essential elements upon a plane of serviceable analysis, so that all important matters relating to the financial administration of the people's affairs may be so reflected in our annual and other periodical reports as to show in the clearest and most significant manner how the public trust has been administered.

The Purpose of Examinations of Accounts of Common Carriers Under the Provisions of the Twentieth Section of the Act to Regulate Commerce.

By CHAS. A. LUTZ, Chief Examiner of Accounts, Interstate Commerce Commission.

(An address delivered before the Twentieth Annual Convention of the National Association of Railway Commissioners.)

It is well known that the twentieth section of the act to regulate commerce as amended on June 29, 1906, provides, in addition to the requirement of annual reports from carriers subject to the act, that the Interstate Commerce Commission may, in its discretion, "prescribe forms of any and all accounts, records, and memoranda to be kept by carriers subject to the provisions of this act, including accounts, records, and memoranda of the movement of traffic as well as the receipts and expenditures of moneys."

It further provides that "the commission shall at all times have access to all accounts, records, and memoranda kept by carriers subject to this act, and it shall be unlawful for such carriers to keep any other accounts, records, or memoranda than those prescribed or approved by the commission, and it may employ special agents or examiners who shall have authority under the order of the commission to inspect and examine any and all accounts, records, and memoranda kept by such carriers."

From the foregoing it will be seen that:

(a) The power given to the commission to prescribe the forms and methods of accounting for all carriers engaged in interstate commerce which are subject to the provisions of the act may be used with a view of bringing about uniformity in the forms and methods of accounting by all such carriers in order that proper comparisons of the accounts of different carriers may be made.

(b) The power given to the commission to employ special agents or examiners who shall have authority to inspect and examine all accounts, records, and memoranda kept by carriers enables the commission to ascertain readily, and without embarrassing delays, whether or not the accounting rules prescribed by it are being obeyed.

The desirability of a uniform system of accounts for all carriers subject to federal supervision is so obvious as to require no explanation here. The fact that it would be a practi-

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cal impossibility to see that the uniform accounting rules prescribed by the commission are being complied with without inspection and examination of the accounts of carriers by a corps of trained examiners is, to my mind, equally obvious.

No abuse or violation of those provisions of the act to regulate commerce which deal with the maintenance of published tariff rates can occur without this abuse or violation being in some manner reflected in the accounts of the carrier. The system of accounts, as so far prescribed by the commission, is directed toward making it difficult for carriers to conceal any violations of the act which would be reflected in the accounts. It has also been drawn with a view of providing for accurate statements of operating revenues and of the cost of earning those revenues, as well as accurate statements of the amounts expended for road and equipment. Consideration is now being given to further development of the system to provide uniform methods of accounting for additions and betterments to existing roads and for a uniform statement of income and profit and loss accounts and a uniform balance sheet statement.

The purposes of examinations of accounts would, therefore, seem to be classified as follows:

(a) To see that the uniformity aimed at in the classifications prescribed by the commission is, in fact, attained in the accounts as kept by the carriers.

(b) To prevent, through this method of supervision, such unjust discriminations prohibited by the act as the accounts may reflect.

(c) To assist in the adjustment of errors or inconsistencies in the monthly and annual reports rendered by carriers when such adjustments may not be readily and promptly made by correspondence.

(d) To assist in the further development of the system of accounts through investigations of conditions and methods in accounting for those matters concerning which the commission has as yet not prescribed classifications, and to make other special investigations from time to time as required by the commission.

It is believed that carriers generally are in sympathy with and are endeavoring faithfully to comply with the classifications prescribed by the commission and that willful departures therefrom will be rare. Assuming this desire, however, on the part of carriers to fully comply with all the requirements of the commission's uniform accounting rules, it seems quite apparent that different accounting officers will, in many instances, construe these classifications differently, and these several officers, satisfied that their respective constructions are correct, will proceed under their understandings of the classifications, with the result of much lack of uniformity. Examinations conducted under the direction of the commission will bring out all vary-

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ing practices, and the points involved may then be fully considered and discussed and the inconsistencies in accounting practice eliminated. This, it seems to me, will be one of the most fruitful results of the visits of our examiners to the accounting offices of the carriers and the one toward which a larger part of the activities of the board of examiners should be directed.

The examinations should also develop many pertinent facts with respect to the general financial policy and operating methods of the carriers examined, which should be helpful alike to regulating bodies, to investors in securities of carriers, and to the carriers themselves.

The mere fact that provision is made for the examination of accounts under the direction of the Interstate Commerce Commission will, in my judgment, in a large measure prevent many of the abuses which the act to regulate commerce was designed to check, as railroad managers will be unwilling to take the chances of allowing such abuses to exist, knowing that the evidence thereof must be reflected on the books, which are subject to the inspection of the commission's examiners. The importance, however, of the actual examinations should not be underestimated, and in the attainment of the purposes with which this paper seeks to deal the employment of trained experts in accounting for carriers subject to the provisions of the act is receiving the careful consideration of the commission and its representatives in the bureau of statistics and accounts.

In assisting in the further development of the system of accounts to be prescribed by the commission, examiners are being used for field work in investigating methods of accounting now in use, in conferring with accounting officers of carriers and of committees of such accounting officers preparatory to the formulation of suggestions and recommendations for proposed uniform methods. In this connection it is understood that the investigation of the matter of the proposed uniform method of dividing revenues and expenses by state lines is to be undertaken by a special section of the bureau of statistics and accounts, and it would seem that in this matter the assistance of examiners working in the field might be invoked with advantage.

Examiners may also be used to make special investigations under the direction of the commission and in analyzing the statistics and other data submitted by carriers in cases before the commission, thus facilitating the work of the commission in arriving at conclusions in the respective cases.

Perhaps it may not be improper to in this connection indicate briefly the progress that has been made in the organization of the board of examiners and the plans which are being considered for its further development.

The writer of this paper assumed direction of the exam-

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iners as chief examiner of accounts on July 1 last. At that time a force of about 20 examiners was in existence and was engaged then, and has been since largely employed, in consideration of matters in connection with the further development of the system of accounts. It was realized that general examinations could not be well undertaken until the force of examiners should be very materially increased and, further, it was found that the supplements to existing classifications and additional classifications to be made effective as of July 1, 1908, has engaged a great part of their attention; consequently a great amount of field work has not been done.

A civil service examination was held on August 1, 1907, by the Civil Service Commission and a register of eligibles for appointment established therefrom. Experience has shown that this examination did not result in providing sufficient eligibles of the grade required for the work, and since July 1 appointments of only about four men have been made from this list and it is believed that but few more satisfactory appointments may be made therefrom.

Arrangements were accordingly made for another examination, of a higher grade than the first, to be held by the Civil Service Commission and the number and quality of the entrants to this examination gave promise of the establishment of a register of eligibles from which appointments might be made of a large number of examiners who would be well equipped and adapted for our work. This examination was held on October 7 and 8, 1908, at convenient points all over the United States and in the Canal Zone on the Isthmus of Panama, and after the list established as a result thereof is available, appointments will immediately be begun and the instruction and organization of our forces to conduct general examinations undertaken as early as possible.

It is desired that only men of high ability, probity, and good judgment shall be placed on the board of examiners—men who are thoroughly conversant with the methods in use and fully instructed as to the purposes in view—to the end that these examinations shall result in the greatest good to the public and the carriers alike.

The Adding Machine in Cost Accounting.

By C. N. SMITH, head of the Business Systems Department of the Burroughs Adding Machine Company.

(Excerpts from an address delivered before the Association of American Government Accountants.)

A good doctor takes his own medicine, and a good preacher follows his own precepts. The Burroughs Adding Machine Company does both. In every department of the great factory at Detroit, employing over 2,000 people, Burroughs machines are in use in all the accounting.

In keeping account of our cost of material and labor we have entirely done away with posting into cost ledgers and distributing onto large sheets. Our material requisitions, time tickets and record cards are all of a uniform size, 4 x 6 inches. This enables us to file them in drawers, behind guide cards of like size. We gather together the different kinds of tickets under the workman's operation and order number, and by adding the material tickets and the labor tickets on the Burroughs we are enabled to post totals to the cost record card, instead of posting each individual total to a cost ledger and then adding them up.

The drawers containing these cards are all contained in a cabinet 7 feet high by 10 feet long. This cabinet then, contains a record of the cost of over 4,500 different parts, and also a record of the cost, up to date, of any of these parts in the course of construction. We are also enabled to ascertain the location of all stock in progress without any stock-tracing system.

Each part is given a "symbol number" by which it is always known, and a blue print of the part is pasted on a card, and placed in proper numerical order in a drawer.

A cost record card follows, filled out with order number, date and description, at the same time order is placed in the factory. On this card is entered, at the completion of the work, the total of labor and material, to which is added the burden to obtain the complete cost. Then come the supply requisitions, which are filed immediately behind the cost card.

When the job is completed, these requisitions are added on the machine, which prints the order numbers, symbol number, and adds and lists the quantity and weight and its value in money at the same time. As a proof the total quantity is multiplied on the machine by the price, and the result must equal the total in money previously obtained. The total is then posted to the cost record card.

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Then comes a guide card for each operation, called a cost of operation card. Behind each of these cards are filed the workman's time tickets, according to number. When the job is completed, the time tickets of each workman are totaled, the machine printing order number, symbol number and workman's number, as well as adding and printing the number of prices, number of hours and amounts earned, at one operation. These totals are then posted to cost of operation card.

The postings made to the cost of operation cards are totaled by hours and amounts, and are then posted to the cost record card. The burden or overhead expense is then added and we have the total cost of labor which, plus cost of material, is the cost of the job. The total divided by the number of pieces gives the average cost of each piece.

The machine on which this work is done is a 15 column, $\frac{1}{4}$ Fractional Electric machine, which can be split (arranged to add in two or more columns independently or list without adding at the will of the operator) between the 10th and 11th columns and between the 6th and 7th. The machine not only saves a great deal of time through its capacity for performing several operations at once and getting results with unfailing accuracy, but saves yet more time and toil by rendering it unnecessary to maintain cost ledgers or distributing sheets.

These machines are the outgrowth of the idea of William Seward Burroughs who, in 1891 made the first practicable adding and listing machine. The years from 1884 to 1891 had been full of struggle against seemingly overwhelming odds. The young inventor had no money, and but little influence. He was a pioneer working on an entirely new idea, in an entirely new way. He had no previous successes to guide him, no mistakes of former adding machine makers to warn him. When he finally did succeed in making a machine which should not only do the work expected of it, but be fool proof into the bargain, his health was broken, and though he lived to reap some of the fruits of his labors the greatest progress of the Burroughs Adding Machine Company has been made since his death in 1898.

Continual progress has been made by the Company. The first machines would list and add correctly it is true, but new uses were constantly being devised for them, and the Burroughs became a bookkeeping machine. Machines for different purposes were constantly being made such as those to add fractions, feet and inches, tons and hundredweight, and the "split and normal" machines which are practically two or three separate machines which can be operated at the same time. The growing demand and growth of the number of different machines (there are 58 now) necessitated larger quarters, and the Company moved from St. Louis to Detroit in 1904. Today the Burroughs Adding Machine Company is

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a \$5,250,000 corporation, and over 80,000 machines have been built. In fact, over 90 per cent of all adding machines in use are Burroughs.

The United States Government alone, in the Treasury Department, Post Office Department, Navy Department and other branches uses over 800 Burroughs Machines. It was thought, in the early days of the company, that the machine could be sold only to banks. Bank business today represents only one-third of the total Burroughs sales.

There is a Burroughs machine for every operation of bookkeeping. For instance, there is the Duplex, equipped with two separate total registers, whereby a total can be accumulated in one register, the items listed, the total transferred to the other register and preserved until wanted.

By this duplex device our Burroughs machine can do the work of two, without enlarging the keyboard. It can handle two columns of equal size, from seven to fifteen figures, depending upon the capacity of the machine to which the duplex feature is applied. This can be done with no more effort than is required to handle a single column on an ordinary machine, and gives a nine column machine practically a capacity of 18 columns. Applications of this duplex feature are almost endless. For instance, debits and credits may be listed at one operation, and separate totals obtained without the necessity of going back over the work and picking out the debits. Formerly the credits were listed and accumulated, and the debits listed with the eliminating button depressed. A total of the credits was printed, and a total of debits accumulated with the carriages thrown back so that only the total of debits would be printed upon the paper. With a duplex machine, however, the time necessary to go back over the list is saved.

With this machine, receipts or disbursements of various clerks can be listed and added, the operation repeated for as many clerks as a given department may contain, and a grand total for the whole department obtained instantly at the end of the operation.

Heretofore the ordinary Burroughs machine would cross-tabulate, carrying the totals on several rows of figures, but there was no provision made for carrying these totals automatically into a grand total. With the Duplex Burroughs these totals on cross footings are carried along, and by means of the second accumulator the grand total is obtained without putting the totals through the machine a second time. If time permitted, many other uses of this machine could be mentioned, but enough has been said to indicate the many operations to which it may be put.

The Unlimited Split is a device which may be applied to the larger Burroughs machines, whereby the machine may be split into two, three or four sections, and will list and add or

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list without adding in each section separately, at one operation.

For instance, by the unlimited split device, a fifteen-column machine may be divided into two sections of seven and eight columns respectively—or ten and five, six and nine—or into three sections of five columns each, seven, six and two columns; in fact, into any combination desired by the operator. It is, of course, possible to use the whole machine in one column when its great capacity of 999,999,999,999 is needed for compiling statistics, etc.

The Automatic Cross Tabulator is another device applied to Burroughs Machines. A wide carriage is used to handle sheets up to 18 inches wide. The carriage moves horizontally, the machine listing the items on the same line across the page. When the total is printed in the right hand column on the sheet, the carriage moves back automatically to the starting point and moves the sheet up a line, ready to list the next row.

Among the fifty-eight styles of Burroughs, are machines for making Monthly Statements, Printing Dates, account numbers if desired, and amounts all at one operation. These statements are made from a roll of printed headings, the machine listing amounts in one color and numbers and dates in another if desired. There are machines for listing and adding fractions, hours and minutes, hundredweight and tons, feet, inches and fractions of inches, ounces and pounds, square inches and square feet, English money—in fact, a machine is made or can be made to handle any commodity expressed by a regular system of measurement. The line of Burroughs machines is too long to enumerate here.

When Burroughs was in the early stages of his success, he estimated the possible market at 8,000 machines. His associates thought him crazy, no such number could possibly be required. Yet today, the sales of the company have reached the 75,000 mark with no signs of the limit of the market.

Perhaps the best explanation of the success of this invention lies in the words applied to William Seward Burroughs by one who knew him: "He loved the machine better than he did the dollar. It was never gotten up simply to sell, but first of all to do its work perfectly, then it was made to last indefinitely—and then, of course, its sales couldn't be stopped."

Governmental Accounting for Efficiency and Economy of Administration.

By DR. LE GRAND POWERS, Chief Statistician of the Bureau of the Census.
(*The Annual Address of the President of the Association of American Government Accountants, May 27, 1909.*)

Another year has been added to the life of this association, and as we meet to take counsel together concerning the policies to be pursued and to elect the officers who are to direct its affairs for the coming year, I ask you to consider with me for a few moments the subject of Governmental Accounting for efficiency and economy of administration.

To present the subject in its historic relations, permit me to call your attention to the origin of the differences to be met with at the present time in the character of governmental and private accounts: Those differences all arise from the varying uses to which accounts are applied in the administration of business. At first, governmental, as private accounts, were largely records of debts—the amounts owed to a government or private proprietor, and the amounts owed by it or him. The accounts were kept for the administrative purposes of assisting in collecting all amounts due and of meeting all obligations when the same matured. A step forward was taken in private business when accounts were so arranged, kept, and summarized that in addition to providing the information obtained from the earlier accounts they embodied all the fundamental requirements of modern accounting for proprietorship by disclosing the condition of business at specified times, and the gains or losses for specified periods. Similar progress was made in accounting for constitutional governments when their general financial records were so arranged that in addition to recording all the data of the earlier accounts they introduced all the requisites of correct fiduciary accounting, by exhibiting the cash and other resources available for expenditures at any given time, and the fidelity with which expenditures have been made in conformity with the terms of appropriation acts.

Within the last fifty years accounting has become in most countries a distinct profession, and accounts are now applied as administrative aids both to private and to governmental business in ways never dreamed of by former generations. The earlier accounts, to which attention has been called, have not been neglected or displaced, but they have assumed their place in more comprehensive schemes introduced by the most progressive private and public administrators.

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The modern innovations in accounts are those which provide for the classification and analysis of financial data and their arrangement in statistical forms, to show in private business when and how money is gained, and when and how it is lost; and in governmental business to disclose and measure the relative efficiency and economy of every branch of service. In private business an analysis of revenue is made to determine the adequacy of rates for various services and commodities, and every factor of business administration is brought under accounting control by means of what the business world now knows as "cost accounting." It is by such methods that the leaders in modern private business have made accounts and accounting of supreme administrative assistance in avoiding bad and securing good financial results. Their accounts are the ideal ones of the business world, and demonstrate the great part that accounting records can play in securing success and avoiding failure. In like manner, a limited number of governmental officials have introduced general and departmental accounts which accomplish for nations, states, and municipalities what the analytical and statistical accounts above described accomplish for private enterprises. Their accounts are arranged to provide adequate accounting control over revenue, to aid in preventing waste or loss thereof in collection, and to apply the principles of private cost accounting for testing the efficiency and economy of all branches of governmental service.

In passing, it should be said that only a limited number of private concerns have developed and applied accounts of the largest possible administrative value, and in like manner only a few governments and governmental officials have shown themselves fully awake to the value of accounts as aids to good government. Hence, there are great differences in the administrative uses to which governmental accounts are applied, and as an inevitable result, great differences in the economy and efficiency of local governments. This condition will continue until, with other changes and reforms, the general and departmental accounts of all our cities and states, as well as those of the Federal Government, are so arranged as to measure and test the efficiency of governmental administration and the fiduciary responsibility or accountability of governmental officers. To attain fully the results here mentioned, the accounts of different governments of the same class, as those of states, counties, cities, and towns, must be arranged on such bases as will admit of ready comparison of the experience of each with that of all the others.

A considerable number of American cities, actuated by a desire to make their financial records of as much administrative assistance as are those of the most progressive private enterprises, have within the last ten years introduced new systems of general accounts. The great majority of these

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systems can best be described as experimental, or tentative, since they are being applied to a field hitherto undeveloped by accountants. There is no uniformity in the systems thus introduced, and their value must be measured by standards other than those of uniformity and the possibility of comparing the expenses and outlays of one city with those of others. The experience of the several cities introducing these new accounts has, however, on the whole, been fruitful of much good, and out of it no doubt will soon be evolved systems of accounts best suited for giving to governmental officials and the public interested in governmental affairs all the aid that the most successful business man secures from the accounts of his private business.

The general accounts thus far introduced may be said to be of two distinct types,—one in which the principal or controlling accounts, in addition to those with appropriations, are with cash receipts and payments, here spoken of as *accounts based on cash transactions*; and the other, with amounts accruing as revenue or otherwise, to the benefit of the city, and with the accruing expenditures of the city, here referred to as *accounts based on accruals*. The first are the more numerous.

A limited number of cities employing the older style of general accounts, and some of those which have installed the new style of the type of the first mentioned above—accounts based on cash transactions—prepare exhibits of receipts and payments in such a manner as to permit comparisons of their costs of government with those of other cities. These cities make a larger use of accounting for the purpose of measuring the efficiency and economy of administration than any others. Their accounts seek to provide for cities what the best accounts and reports furnish the administration of the most successful private enterprise. Those enterprises have accounts with all their sources of income and all their objects of expenditure. Expenditures are classified according to function, and the accounts provide the means for ascertaining and stating the cost of each and every activity or class of business operation. The same classification is used one year that is employed in preceding years, so as to provide a means for utilizing the experience of one year as a test of the results of business operations in the next. In like manner, if a corporation or firm operates a number of different enterprises, the accounts of all are so kept as to enable the record of the expenses of any one to be of service to all the others.

The introduction of analytical statistical accounts of this character has proved of great administrative assistance to all the most successful private enterprises of the day. In some lines of manufactures accounts have become important factors in converting old refuse and waste into principal sources of profit, and changing losing into paying ventures.

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One result of the introduction of analytical and statistical accounts into private business has been to create a popular demand for the introduction and use of similar accounts by municipal and other governments. This demand first became prominent in the affairs of cities, since city governments come closer to the lives, and also to the pockets, of the people than any other. The importance of these new accounts may be noted from the following fact:

The old accounting of American cities was conducted with one principal or primary object—that of showing that the treasurer had not stolen any money. The auditors whom city councils appointed to examine the accounts of the treasurer once were content to show that no city money had been converted to private use by the treasurer. City officials were not awakened to the fact that accounts should be kept not only as a check upon the action of the treasurer, but as a check upon and guide for the action of all city officials. Governmental and private business, alike, are wrecked infinitely more by bad management than by speculation of employees. The losses resulting from carelessness and incompetency are everywhere vastly greater than those arising from defalcation by trusted servants. The good administrative officer recognizes that he must keep accounts to guard the business more from his own possible laches than from dishonesty of his subordinates; and hence those accounts should afford the means of testing the efficiency of the work, not only of the treasurer and fiscal officers, and of every administrative officer, but of their trusted agents—from the highest to the lowest.

Here we come to the ideal use of accounts in modern private and public business. To their old use as a means of testing the honesty of fiscal officers, we now add their employment as means of testing and measuring the efficiency of the work of all. Much progress has been made by cities along this line in the past few years, during which the subject has received the consideration of many interested in municipal affairs. In summing up, or stating that progress, permit me to use some of the terms of the old religious revivalists of a half century ago. They employed three words to express the different changes in the minds and acts of the sinners as the result of the efforts of the churches and Christians to reform the evil-doers. Those words, or phrases, were "conviction of sin," "conversion," and "regeneration." Men were said to have been convicted when they were satisfied that they were sinners; but such conviction amounted to but little unless the mental impression led to some action by which the one convicted was turned sharp around from an evil course and began to walk in a correct one. Such a turning around was spoken of as conversion; but starting on such a good road, though commendable, was not enough; the converted must walk sufficiently in that road to become

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changed in all his vital relations with the world. Such a change was called regeneration.

So far as I know, every national civic organization has placed itself on record in favor of uniform accounts and reports arranged substantially on the basis of the census schedules, and a very large number of State organizations are on record to the same effect. Laws have been passed in a number of States calling for uniform reports of city officials to certain State officers; and in Ohio, Iowa, and New York these uniform reports are accompanied with a supervision on the part of State officials, and uniform accounts on the part of cities. This is a great change which has been effected principally in the last seven years, and yet I must say that the officials of the smaller municipalities have as yet been touched but little by the spirit of change and modern progress, and there is still need of using all the energies of reform organization to show State, county, and local officials the true place of accounts in the management of governmental business.

The campaign is still on, and no friend of efficient government can rest content until every government official is aroused—"convicted," if you please—to the value of accounts as the measure and test of efficiency, as well as of honesty. We must press home the good work, and, if to hide dishonesty or graft in their administration, city officials are in the way of introducing this modern use of accounts, we must see to it that the courts make use of another sort of conviction, at once to correct their wrong and to displace such officials by better ones.

I am glad that I can report more than the foregoing; I can say not only that all city fiscal officers have been convicted, but convinced, of the desirability of uniform accounts and reports for the purpose of making such reports the measure of official economy and efficiency. A very large proportion of the fiscal officers of our larger cities have become converted; they are facing in another direction from what they were ten years ago. They are introducing in varying degrees the census classification of payments and receipts, and introducing accounts that are arranged for the purpose of making such accounts, in one way and another, the measure of efficiency of public service as well as a test of honesty. Of the cities containing over 30,000 inhabitants, over one-third have attempted in some large degree to make use of the census classification, and the other two-thirds, with few exceptions, have made some changes at least, to show that the officials are turning their feet, as well as their faces, in the right direction. They have been converted, turned 'round, and are walking in the right direction, even though they have not gone as far as we could wish, or as far as the situation demands.

The action of the city officials is in many cases modified by the advice and practice of local accountants whom they call in

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to assist them in improving their accounts. The subject of municipal accounts, and the uses of the same, are not very familiar to the average commercial accountant, and hence it is not strange that the cities fail to reach uniformity by a single step. Conversion is an individual change; it is a facing about, from one direction to another. American city financial accounts are now facing another way from what they were five or ten years ago. It will take a long time to adjust them to the new orientation, but that adjustment will take place in time. It is already taking place. The changes required fully to introduce accounts which will be tests and measures of and aids for efficient municipal government are many, but they are coming.

Prior to the discovery of America, all commerce and all civilization fronted upon the Mediterranean; Europe faced south, and along her southern shores were gathered all the large cities and the seats of empire. But with the rising of a new continent to the consciousness of the world, Europe began to change front; new centers of trade sprang up on the west, and to those centers shifted the supremacy of trade, commerce, literature and art. London, Paris, and Berlin took the places of Constantinople, Venice, and Florence. As Columbus discovered the new world, so the science of accounting has disclosed new uses for accounts and reports. In the days preceding our generation all governmental and private accounts dealt with personal problems; their main purpose was to show the amounts owing to different persons, and the amounts owing to themselves, and the extent of fiscal honesty. In our day, business men have discovered that efficiency, as well as honesty, is a virtue; that waste, as well as robbery, is a sin; and the world of accounts must face this new world of discovery.

The changes of modern accounting in private as well as in public business, to take recognition of this fact, have begun, and governments as well as private enterprises must as surely adjust themselves to them as the commerce of the world had to shift from the Mediterranean to the Atlantic with the rise of the new world to the west of Europe.

To change the character of the accounts and reports of the cities of a nation is a great undertaking; it is one which, in its magnitude, can only be likened to the reformation of the governments of the same cities, and the placing of all municipal life upon a higher level. To accomplish one of these changes requires the services of all the friends of reform and of good government. If made, it must be brought about through the activity of a vast army working toward the same end. The modern reformer here must not allow his egotism to lead him to the conclusion that he is the only friend of good government whom God has left in the world; he must recognize that all about him are hosts of good people who have never bowed the knee to any of the Baals of unrighteousness. The movement for

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making accounts the measure and test of and aids for efficiency of city administration is now being carried forward by accountants, by citizen's associations, by students of municipal conditions, by reformers generally; and that movement in the city of New York, and in the country at large, is being greatly reinforced through the active agency of the Bureau of Municipal Research.

The chief inspiration for this movement during the last seven years has been the schedules and reports of the Bureau of the Census relating to the finances of our American cities. By comparative figures these reports have demonstrated to every doubting Thomas the fact that municipal accounts can be arranged on a common basis, the same as can those of private enterprises of the same type. Those reports, though confessedly far from perfect, as they will be when cities have introduced common systems of accounts, provide the basis for comparisons of efficiency and point the way for hosts of future comparisons to every one now made.

These object lessons have been of priceless assistance to every earnest worker in the field of improved accounts and reports. They point the way to the new world of better and of more efficient city government, which is surely rising in the United States. This better government is not a matter of party government, but of popular aspiration and popular need, and with the world's face set in that direction, the current and activities of city life, of city hopes and aspirations, will substitute efficiency for incompetency, and economy for waste. When this is done we shall not only have city governments the leaders in honest administration, but also in economical and efficient administration; and I trust that the Bureau of the Census may continue to make its reports in the coming years as much an inspiration and guide and assistance to all these various workers as it has in the last few years.

The movement for using governmental accounts as measures of the efficiency and economy of governmental administration has made greater progress in the field of municipal business than in that of State or national. The movement is not one, however, that can be confined to any branch or department of governmental activity; its influence is now being felt in State and national affairs. This organization of Government Accountants has been called into existence as one of the results of that movement. The organization stands as the embodiment, in a vague and imperfect way, of the efforts of men to improve our national accounting methods and to make them as effective for good government as the accounting methods of the best managed private business. Many changes have been introduced in governmental accounts here in Washington since this organization had its inception a little more than two years ago; other changes have taken place in the methods of conduct-

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ing governmental business. As accountants, we see in these changes the beginnings of greater ones. Those changes and the resulting progress will not depend upon the continued existence of our organization, but their immediate realization may be hastened by the continued existence and active exertions of such an organization as was contemplated by the Association of American Government Accountants.

I have hoped, and still hope, that this organization may play its part in the work of improving governmental accounts and methods; whether it is to realize this end, or not, will depend largely upon your action this night; and whether the accountants of Washington rise to the exigency of the present. Every incentive to success can be found before us. Governmental accounts must be made agents of good government, and we should assist in making them such. The needs of higher life, the demands for increased expenditures, are all factors which, sooner or later, will force accounts to the aid of the efficient administration, and substitute the efficient for the wasteful and shiftless public officer. Here the stars are fighting against every sinner of corruption and of sloth; here we have the promise of that thorough regeneration of accounts to the needs of which our officials have been convicted, and in a large degree been converted.

CONSTITUTION

OF THE

Association of American Government Accountants.

(As amended May 26, 1908, and May 27, 1909.)

ART. I. NAME AND OBJECTS.

Sec. 1. The name of this organization shall be "The Association of American Government Accountants," with headquarters at Washington, District of Columbia.

Sec. 2. The objects of this organization are:

1. To unite in one organization employes of the Federal, State and Territorial Governments of the United States of America, and of the District of Columbia, including Municipal Officers and employees of City Governments having control of or participation in accounting, including the subjects of appointment, purchase, and issue or sale, collecting and disbursing, examining and auditing, bookkeeping, statistical and actuarial subjects.

2. To encourage and facilitate the adoption of economical, expeditious, progressive, and uniform methods in handling the accounting features of the fiscal operations of the Government.

3. To provide means for the technical education and independent study if its members:

First. By promoting and encouraging the study and discussion of questions of advanced and practical accounting and adaptations and improvement of methods.

Second. By originating and disseminating original essays and papers concerning the theory, law, and practice of accounting, and encouraging the expression of individual opinion on controverted points.

Third. By providing occasional addresses on particular features of accounting, either governmental or commercial, by persons outside the Association having expert technical knowledge and experience.

Fourth. By providing a library and a catalogue of the works on accounting and kindred subjects at present available in various local libraries.

Fifth. By advocating systematic instruction in accounting and administration in schools and colleges.

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ART. II. MEMBERSHIP.

Sec. 1. The membership of this Association shall consist of three classes, Associate, Active, and Affiliated.

Sec. 2. Associate Members: All Government employes whose titles or duties are those of accountant, actuary, auditor, statistician, bookkeeper, cashier, chief of division of accounts, comptroller, disbursing officer, examiner, inspector, law clerk, or purchasing agent, and generally all those having to do with the initiation, approval, settlement, audit, and record of fiscal transactions, as well as the Government Examiners for Banking, Insurance, Transportation or Public Service Corporations, are eligible for associate membership in the Association.

Sec. 3. Active Members: Such persons as shall have been satisfactorily tested as to their qualifications shall become eligible for active membership in this Association.

Sec. 4. Affiliated Members: Such persons as are, or may have been, in the Government service, and are actively interested in the subject of accounting, and whose attainments in that line are such as to merit such recognition, are eligible for affiliated membership in this Association.

Sec. 5. Nothing of a political nature shall be introduced in any address or discussion before the Association, nor shall any condemnation, approval, or recommendation of any person be allowed in any address or discussion. This section shall not be construed to prohibit a proper discussion of existing or proposed orders, rules, decisions, and practices.

Sec. 6. Applications for membership shall be made to the Membership Committee, and if favorably considered shall be reported to the Board of Trustees for action, and thereafter the names of members elected shall be reported to the Association through the official organ.

ART. III. FRANCHISE AND QUALIFICATIONS FOR OFFICE.

Sec. 1. The right to vote at elections and upon all matters coming before the Association shall be vested solely in the Associate Members: *Provided*, That when the Board of Trustees shall have elected to active membership not less than fifty (50) members, who shall have satisfactorily passed such tests as may have been proposed by the Education Committee, and approved by a two-thirds vote of the Board of Trustees, the right to vote shall be vested solely in the Active Members.

Sec. 2. The qualifications for holding office, including trusteeships, shall be Associate Membership in this Association: *Provided*, That when the Board of Trustees shall have elected to active membership not less than twenty (20) members, who shall have satisfactorily passed such tests as may

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have been proposed by the Education Committee, and approved by a two-thirds vote of the Board of Trustees, the qualifications for election to office shall thereafter be Active Membership.

ART. IV. OFFICERS AND DUTIES.

Sec. 1. The officers of this Association shall consist of a president, a vice president, a secretary, a treasurer, and six trustees, who, together with the preceding four officers, shall constitute the Board of Trustees. These officers shall be elected at the annual meeting for a term of one year and until their successors shall have been elected and qualified.

Sec. 2. The president (and in case of absence, the vice president) shall perform the duties usually pertaining to the executive office of similar associations, including the counter-signature of orders on the treasurer.

Sec. 3. The secretary shall keep records of the meetings of the Association, and shall keep the roll of membership revised as necessary from time to time; shall issue notices of all regular and special meetings of the Association and Board of Trustees, and shall in pursuance of appropriations made by the Board of Trustees draw orders on the treasurer for counter-signature by the president. He shall collect all dues of members and other revenues of the Association and shall, once in each month, or oftener, pay the same over to the treasurer, taking his receipt therefor. For the faithful performance of the duties of his office he shall be entitled to an annual compensation equal to ten per cent of the collections made by him and turned over to the treasurer, to be paid from time to time as the Board of Trustees may direct: *Provided*, That the Board of Trustees may relieve the secretary of all collections for subscriptions, advertisements and any other revenues arising from the publication of the official organ of the Association.

Sec. 4. The treasurer shall receive all moneys of the Association from the hands of the secretary and shall disburse the same only upon orders drawn by the secretary and counter-signed by the president, taking receipted vouchers therefor. He shall, from time to time, submit reports of his actions to the Association.

Sec. 5. The Board of Trustees shall act as an executive committee of the Association; shall receive and report all suggestions or resolutions submitted by members of the Association; shall receive the reports of standing and special committees and submit them with recommendations to the Association; shall upon recommendation of the Membership Committee elect proper persons to Associate and Affiliated Membership; shall, upon recommendation of the Educational Committee elect associate members to active membership; shall supervise all the work of all committees, and generally look after the interests of the Association.

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Sec. 6. The Board of Trustees upon the death, resignation, or removal for any cause of any officer of the Association, except the president, shall fill such vacancy by appointment, such appointment to last until the next regular election of officers of the Association.

ART. V. STANDING COMMITTEES.

Sec. 1. There shall be six standing committees, as follows: Membership, Finance, Lectures and Meetings, Library, Education and Editorial, the chairmen of which shall be the six trustees, the other members to be appointed by the president.

Sec. 2. The Committee on Membership shall receive applications for Associate and recommendations for Affiliated membership, investigate the qualifications of such persons, and report their recommendations to the Board of Trustees through the secretary.

Sec. 3. The Committee on Finance shall prepare a financial estimate covering the anticipated revenues and expenses of the Association for the ensuing year, with a plan for the production of necessary funds, and shall audit the accounts of the Association.

Sec. 4. The Committee on Lectures and Meetings shall prepare and publish a program for frequent meetings, to be addressed by persons within or without the Association during the period from October first to May thirty-first, of each year, and receive and consider papers submitted for delivery before the Association.

Sec. 5. The Committee on Library shall supervise the preparation and publication of a catalogue of the books on accounting, business administration, and allied subjects available in public, departmental, and other local libraries, and the method by which they may be secured by members, and recommend plans for making available all permanent and periodical accounting literature for general use.

Sec. 6. The Committee on Education shall prepare and submit plans for a systematic study of the several branches of accounting with the sources of information therefor, outline plans for examinations in certain required and optional subjects with the requirements to be made for Active Membership, and after the approval of such plan by the Association shall conduct and report upon the examinations.

Sec. 7. The Editorial Committee shall be composed of five members. The chairman shall be editor-in-chief, the remaining five members to rank as assistant editors, one of whom shall act as general assistant to the chairman. The duties of the advertising, circulation and business managers shall be assigned to the remaining three members of the committee, each

The Government Accountant.

member to have complete charge of a particular branch of the work subject to the recommendation and approval of the committee at regularly called meetings. The assignments shall be made by the chairman of the committee. The committee shall make a full and complete report annually on the first day of May, and such special reports as may be called for by the Board of Trustees. The committee shall have power to appoint such number of associate editors as it may deem necessary to carry on the work of the official organ of the Association.

ART. VI. MEETINGS.

Sec. 1. The annual meeting of the Association for the election of officers and transaction of general business shall be held on such evenings in the last half of May as may be selected by the Board of Trustees, notice of such meeting to be given at the second meeting in April and published in the official organ.

Sec. 2. Regular meetings of this Association shall be held on such evenings semi-monthly during the period from October 1 to May 31 of each year as are selected by the Committee on Lectures and Meetings and approved by the Board of Trustees. Notices of such meetings shall be published to the Association in the official organ.

Sec. 3. Business meetings of the Association may be called by the Board of Trustees, and shall be called by the secretary upon the written request of not less than ten members entitled to vote. Such meetings shall be held immediately following the program of any regular meetings: *Provided*, notice thereof has been sent to every member entitled to vote not less than five days prior to the date of such meeting, which notice may be by written notice to each member or by publication in the official organ.

ART. VII. AMENDMENTS.

Sec. 1. Alterations, additions, or amendments to this Constitution shall be made only upon a two-thirds vote of the members present at the annual meeting or at any special business meeting called for that purpose; *Provided*, notice thereof shall have been sent to each member, or published in the official organ.

Association of American Government Accountants

Organized November 14, 1906

Post Office Box 27, Main Office Washington.

OFFICERS AND COMMITTEES.

Elected at the annual meeting held May 27, 1909, to serve for one year.

Officers.

Le Grand Powers, President. (Bureau of the Census.)
Alonzo Tweedale, Vice President. (Municipal Building, D. C.)
James L. Wilmeth, Treasurer. (Treasury Department.)
E. S. Hobbs, Secretary. (Interstate Commerce Commission.)

Standing Committees.

The Chairmen of these committees are Trustees, and together with the officers form the Board of Trustees.

Editorial.

J. P. Muller, Chairman. (Interstate Commerce Commission.)

Finance.

Theo. L. De Land, Chairman. (Treasury Department.)

Membership.

C. W. Barry, Chairman. (War Department.)

Lectures and Meetings.

Chairman to be selected by the Board of Trustees at a later date.

Library.

Samuel J. Barclay, Chairman. (Interstate Commerce Commission.)

Education.

Noble Newport Potts, Chairman. (Department of Commerce and Labor.)

The personal of these committees will be published in subsequent issues as soon as the names are announced by the respective chairmen.

Official Announcements:

MEMBERSHIP DUES.

payable annually in advance for

Active Membership.....	\$5.00
Associate Membership.....	2.00
Affiliated Membership.....	2.00

including one year's subscription to the Association's official organ. This subscription is not compulsory, and any member not wishing to be served with the magazine, may retain membership by deducting \$1.50 p. a. from his assessment, contributing to the General Fund of the Association only.

APPLICATIONS FOR MEMBERSHIP.

For the convenience of those members of the Association of American Government Accountants, employed in the Departmental Service at Washington, D. C., messengers will be employed by the secretary to deliver at the various Offices after June 1, 1909, due bills properly signed by him, the messengers being authorized to receive face value in checks or currency.

A CHANGE IN THE METHOD OF COLLECTING DUES.

All applications by mail, for enrollment as Active, Associate or Affiliated Member should be addressed to the Secretary, P. O. Box 27, Main Office, Washington, D. C., for transmission to the respective committees.

Active Membership Roll.

During the month of May, 1909, the Board of Trustees of the Association of American Government Accountants, elected the following Associate Members to *Active Membership*, in accordance with Articles II and III of the Constitution.

Andrews, W. E.	Auditor for the Treasury Department.
Arthur, Wm. S.	U. S. Reclamation Service.
Baker, John E.	Bureau of Statistics and Accounts, Interstate Commerce Commission.
Balch, Clifton F.	Examiner, Interstate Commerce Commission.
Barclay, Samuel J.	Bureau of Statistics and Accounts, Interstate Commerce Commission.
Barry, C. W.	Office of Disbursing Officer for the Philippines, War Department.
Benton, A. J.	Office of Auditor for Post Office Department.
Biggs, John S.	Bureau of Corporations, Department of Commerce and Labor.
Bunting, Guy J.	Examiner, Interstate Commerce Commission.
Burleigh, W. B.	Assistant Statistician, Interstate Commerce Commission.
Byler, J. W.	Chief, Tract Records Division, General Land Office.
Campbell, R. C.	Bureau of Statistics and Accounts, Interstate Commerce Commission.
Casey, Henry	Chief, Pensions Division, Office Auditor for Interior Department.
Cash, B. F.	Examiner, Department of Justice.
Clooe, L. R.	Bureau of Statistics and Accounts, Interstate Commerce Commission.
Craig, William	Pay Clerk, U. S. Navy.
Daly, Chas. P.	Chief, Accounting Division, War Department.
Darden, Thomas F.	Examiner, Interstate Commerce Commission.
De Land, Theodore L.	Treasury Department.
Donovan, D. J.	Office of Auditor for District of Columbia.
Ferguson, Eugene Lee	Headquarters, Office National Home, D. V. S.
French, Geo. N.	Library of Congress.
Gaeng, William S.	Bureau of Statistics and Accounts, Interstate Commerce Commission.
Geekie, George	Examiner, Interstate Commerce Commission.
Hall, Edward C.	Examiner, Interstate Commerce Commission.
Hand, Gaston C.	Examiner, Interstate Commerce Commission.
Harrah, B. F.	Treasury Department.
Harris, John D.	Examiner, Department of Justice.
Herschel, A. H.	Bureau of Corporations, Department of Commerce and Labor.
Heupel, John L.	Office of Auditor for Treasury Department.
Hilyer, Andrew F.	Office of Auditor for Interior Department.
Hobbs, Ernest S.	Bureau of Statistics and Accounts, Interstate Commerce Commission.
Howard, A. L.	Instructor in Bookkeeping, Business High School.
Krieger, J. W.	Bureau of Statistics and Accounts, Interstate Commerce Commission.
Lind, E. G.	U. S. Reclamation Service.
Lutz, Chas. A.	Chief Examiner of Accounts, Interstate Commerce Commission.
McCord, Sidney P.	City Hall, Camden, N. J.
McLaughlin, F. M.	Bureau of Plant Industry, Department of Agriculture.
McMillan, Robt. F.	Bureau of Statistics and Accounts, Interstate Commerce Commission.
Moore, J. H.	Bureau of Statistics and Accounts, Interstate Commerce Commission.
Muller, Jean Paul	Bureau of Statistics and Accounts, Interstate Commerce Commission.
Nall, J. H.	Bureau of Statistics and Accounts, Interstate Commerce Commission.
Neal, John Pratt	Bureau of Statistics and Accounts, Interstate Commerce Commission.
Potts, Noble Newport	Disbursing Office, Department of Commerce and Labor.
Powers, Le Grand	Chief Statistician, Bureau of the Census.
Quill, John J.	Bureau of Statistics and Accounts, Interstate Commerce Commission.
Sanger, Monie	Steward, Government Hospital for Insane.
Seymour, George S.	Examiner, Interstate Commerce Commission.
Snead, E. H.	Examiner, Interstate Commerce Commission.
Soleau, Wm. L.	Disbursing Clerk, Department of Commerce and Labor.
Swacker, Frank M.	Examiner, Interstate Commerce Commission.
Swayze, Theo. F.	Customs Division, Treasury Department.
Sweeney, F. W.	Examiner, Interstate Commerce Commission.
Stevens, Herbert E.	Paymaster, U. S. Navy.
Stowers, Edward J.	Bureau of Statistics and Accounts, Interstate Commerce Commission.
Tweedale, Alonzo	Auditor for the District of Columbia.
Webster, Norman E., Jr.	Accountant, U. S. Reclamation Service.
Wilmoth, J. L.	Expert Accountant, Office of Comptroller of the Treasury.
Wishart, Wm. Clifton	Examiner, Interstate Commerce Commission.
Yauch, Charles F.	Bureau of Statistics and Accounts, Interstate Commerce Commission.
Ziegler, Calvin H.	Bureau of Statistics and Accounts, Interstate Commerce Commission.

A suitable membership certificate will be issued by the Board of Trustees to each Active Member at an early date.

The Government Accountant

P. O. Box 27, Main Office.

WASHINGTON, D. C.

J. P. MULLER,
Editor.

B. F. HARRAH,
Associate Editor.

N. E. WEBSTER, JR.,
Associate Editor.

MAY 31, 1909

Owing to the resignations of both the Editor and Business Manager during the Autumn of 1908 and the difficulties encountered by the Board of Trustees of the Association of American Government Accountants in the endeavor to adequately replace them, THE GOVERNMENT ACCOUNTANT has not made its appearance since the issue of October, 1908.

The positions have at last been filled; whether the Association is to be congratulated on its choice, time alone can tell; but if enthusiasm for the cause which the Association and its organ represent is to be accepted as a measure of fitness, then surely the present staff meets the requirements, and any defects due to lack of journalistic training may be temporarily excused.

With this issue, THE GOVERNMENT ACCOUNTANT appears as a 15-cent magazine; subscription price, \$1.50 per annum; but all subscriptions received up or to June 1, 1909, have been accepted at the old rate of \$1 per annum.

It is a part of our present plans to publish the six lapsed numbers of Volume II—November, 1908, to April, 1909, inclusive—at an early date, to meet the wishes of many members and subscribers who desire to complete their files. Should this plan not prove feasible, then the valuable material now on hand will be used to enlarge current issues.

Meantime we have extended all subscriptions, which would have expired during the past six months, for a corresponding period from May 1, 1909, at the old rate.

The Government Accountant.

We appreciate the sentiment prompting the many kind letters received from our subscribers, and thank them one and all for their loyal support, which we shall endeavor to merit.

The keynote of our president's annual address seems to be the statement that practical reforms in Government accounting and methods, to be of any lasting and cumulative benefit and result in financial economy generally, must come from within the service. It cannot be denied by those at all familiar with present conditions that there is still a considerable body of Federal accounting officers who have not yet reached the stage of conviction; and a few of them never will, being temperamentally what are known in the vernacular as "croakers."

All suggestions for concerted effort looking toward betterment of any existing condition, either for public or individual benefit, are met by this class of Government accountants with the stereotyped form of answer: "What is the use? We have tried this and that plan to procure changes which would have meant a great saving to the taxpayer of the country (or to Government employes, as the case may be), but invariably these proposals came to naught for lack of proper and thorough co-operation among the Government accountants themselves."

The so-called "Ginger Committee" appointed at the April business meeting of the Association, spent considerable time in the attempt to analyze this situation, and finally reached the conclusion that the mental attitude of hopelessness of these same men, who are looked upon by a large number of Government accountants as leaders, could safely be called the root of the existing general apathy.

Luckily, those flagging spirits are comparatively few in number. The members of this Association should diligently and consistently strive to reduce this small contingent to a negligible quantity, demonstrating thereby that the majority of Government accountants are live men, able and willing to foster economy, promote ability, and increase efficiency of their branch of the service by all legitimate means at their command.

The Special Committee, S. J. Barclay, Chairman, in its report to the Board of Trustees, made several important recommendations:

The Government Accountant.

1. To establish a roll of active members from the list of associate members, as contemplated by Articles II and III of the Constitution, primarily to create a representative class of accountants within the Association who could be considered as that element of the service corresponding with the Certified Public Accountants outside of the Government service.

2. To amend the Constitution so as to enable the Association to become a national body instead of a purely local one, so that invitations to join the Association of American Government Accountants, as active or associate members, may be extended to accounting officers of state and city governments throughout the United States.

The efforts of Dr. Le Grand Powers, Chief Statistician of the Bureau of the Census, and Hon. Alonzo Tweedale, Auditor for the District of Columbia, in the direction of uniform municipal accounting, can be supplemented to a considerable extent in this manner; and it is expected that a large number of municipal accountants will be induced to join our Association when this matter is presented to them at the meeting of the National Association of Comptrollers and Accounting Officers, to be held in Detroit, June 1, 2, and 3, 1909.

Similarly, and in line with action taken more than a year ago, invitations were issued to the members of the recently organized Interstate Commerce Commission's Board of Examiners of Railway Accounts, to become actively identified with the Association of American Government Accountants, which have so far resulted in the acquisition of twenty-four new members, including Mr. Chas. A. Lutz, the Chief Examiner of Accounts, whose address to the Association of State Railroad Commissioners appears in this number.

All the Committee's recommendations were accepted, and the entire program for the coming year, including suggestions for the collection of dues, etc., was favorably acted upon by the Association at its annual meeting held in the hall of the Public Library at Washington, D. C., May 27, 1909.

The prospects of the Association are brighter today than at any time since its organization! What can you personally do to help the good work along?

The Following Leading Articles Have Appeared In "The Government Accountant"

(Back numbers may be obtained at ten (10) cents per copy)

MAY, 1907.

Jurisdiction of the Accounting Officers of the Treasury.

By Walter W. Warwick, LL. M., Chief Law Clerk in the Office of the Comptroller of the Treasury.

Relations which should Exist between Administrative and Accounting Officers.

By Robert S. Person, Auditor for the Interior Department.

Accounting from an Administrative Standpoint.

By F. H. Newell, Director, U. S. Reclamation Service.

The Accounting Offices—Their Proper Administration.

By Hon. William E. Andrews, Auditor for the Treasury Department.

JUNE, 1907.

Analytical and Statistical Bookkeeping.

By Dr. Le Grand Powers, Chief Statistician of the Census.

Cost Keeping.

By N. E. Webster, Jr., LL. M., C. P. A.

Foundry Costs.

By William Francis Russell, with Gunn, Richards & Co.

JULY, 1907.

The Law of Evidence Applied to Government Accounting.

By Judge B. F. Harrah, Law Clerk in the Office of the Comptroller of the Treasury.

Treasury Bookkeeping.

By Harry C. Lewis, Deputy Auditor of the Isthmian Canal Commission.

AUGUST, 1907.

The Interpretation and Construction of Statutes.

By Mr. N. H. Thompson, Law Clerk in the Office of the Comptroller of the Treasury.

Our National Treasury.

By Hon. W. E. Andrews, Auditor for the Treasury Department.

SEPTEMBER, 1907.

Assembling Checks and Vouchers and the Verification of Disbursing Officers' Balances.

By S. R. Jacobs, LL. M., Chief of Division, Office of the Auditor of the State and other Departments.

Rates of Interest Realized by Investors in United States Bonds.

By Mr. Theodore L. De Land, Chairman of the Finance Committee of the Association of American Government Accountants.

Standardizing Governmental Accounts.

By Le Grand Powers, Chief Statistician, Bureau of the Census.

OCTOBER, 1907.

The Law of Contracts.

By John Mason Brown, LL.B., Law Clerk in the Office of the Comptroller of the Treasury.

DECEMBER, 1907.

Government Supervision of Railway Accounts.

By Professor Henry C. Adams, in charge of Statistics and Accounts, Interstate Commerce Commission.

Advertising and Statutory Contracts.

By L. H. Mattingly, LL. M., Expert Accountant in the Office of the Comptroller of the Treasury.

Books on Accountancy and Business at the Public Library of the District of Columbia.

By George F. Bowerman, Librarian, Public Library, Washington, D. C.

JANUARY, 1908.

The Preparation of Suits for the Recovery of Balances Due to and from the United States.

By W. W. Scott, Law Clerk in the Office of the Auditor of the State and other Departments.

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The Fee System of Compensating Public Officers.

By James F. Kilgore, Law Clerk in the Office of the Comptroller of the Treasury.

A National Clearing House Bank.

By Hon. Charles H. Treat, Treasurer of the United States.

FEBRUARY, 1908.

Traveling Expense Accounts.

By L. O. Robbins, LL. M., Office of the Auditor for the State and other Departments.

Assignments of Claims Upon the United States.

By R. L. Golze, of the Philadelphia Bar, and Law Clerk in the Office of the Comptroller of the Treasury.

Uniform Municipal Accounting and Reporting.

By Clinton Rogers Woodruff, Secretary of the National Municipal League.

MARCH, 1908.

Publicity of Corporation Business.

By Dr. E. Dana Durand, Deputy Commissioner of Corporations.

The Mechanics of Construction Cost-Keeping.

By V. G. Croissant of the U. S. Reclamation Service

APRIL, 1908.

The Best Method of Treating Government Paper.

By Hon. A. L. Lawshe, Third Assistant Postmaster General.

MAY, 1908.

Depreciation in Commercial and Governmental Business and Accounting.

By Dr. Le Grand Powers, Chief Statistician, Bureau of the Census.

The Degree of Efficiency and Integrity Found in Government Work.

By Norman E. Webster, Accountant, U. S. Reclamation Service.

JUNE, 1908.

The Disbursing Office: Its Operation and Records.

By William L. Soleau, Disbursing Clerk, Department of Commerce and Labor.

A Quarter of a Century of the Merit System.

By Theodore L. De Land, Examiner, Treasury Department.

JULY, 1908.

The Routine of Making Deposits into and Obtaining Advances from the U. S. Treasury.

By M. J. O'Reilly, of the Division of Bookkeeping and Warrants, Treasury Department.

Liquidated Damages.

By George Johannes, Chief Clerk, Office of the Disbursing Clerk, Department of Commerce and Labor.

Mechanical Accounting Devices.

By Dr. Le Grand Powers, Chief Statistician, Bureau of the Census.

Currency and the National Banks.

By Willis J. Fowler, Deputy Comptroller of the Currency.

AUGUST, 1908.

Report of the Committee on Terminology.

By Dr. Le Grand Powers and B. F. Harrah.

Primer on Cost-Keeping in Government Work.

By Norman E. Webster, Jr., and others.

Discretion.

By B. F. Harrah, Law Clerk, Office of the Comptroller of the Treasury.

SEPTEMBER, 1908.

The Administrative Significance of a Municipal Balance Sheet.

By Dr. F. A. Cleveland, Technical Director, Bureau of Municipal Research of New York City.

The Budget as an Instrument of Financial Control.

By Dr. William H. Allen, Secretary of the Bureau of Municipal Research of New York City.

The Significance of Fund Accounting.

By Richard M. Chapman, C. P. A., Department of Finance, New York City.

A Model Municipal Balance Sheet.

By Dr. Le Grand Powers, Chief Statistician, Bureau of the Census.

OCTOBER, 1908.

The Accounting System of the District of Columbia.

By Alonzo Tweedale, Auditor for the District of Columbia.

The Purchase of Supplies for the U. S. Battleship Cruise Around the World.

By George P. Dyer, Paymaster, U. S. Navy.

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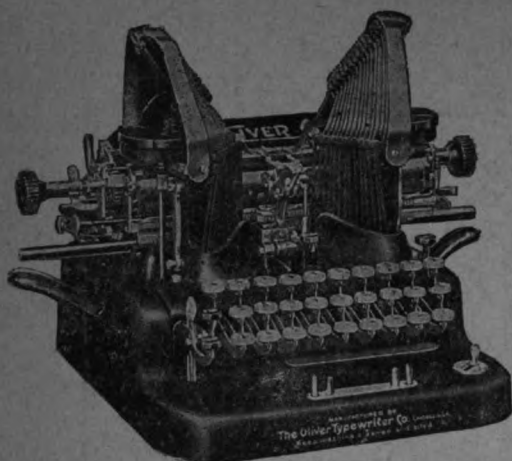
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Uniform Municipal Accounting in Canada

Property Accounting in the Forest Service
BY JAMES B. ADAMS

The Right of National Banks to Participate in the
"Bank Depositors Guaranty Law"
OPINION OF THE ATTORNEY GENERAL OF THE UNITED STATES

The Non-Listing Adding Machine and its Uses
BY GEORGE C. OWENS

Editorial Comment--Association Notes

Official Announcements

THE OFFICIAL MAGAZINE OF
The Association of American Government Accountants

PUBLISHED BY THE ASSOCIATION

P. O. Box 27, MAIN OFFICE, WASHINGTON, D. C.

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An Open Letter to the Accounting Officers of State, City and County Governments Throughout the United States.

Sirs: Arrangements have been completed whereby Mr. Richard M. Chapman, Secretary of the National Association of Comptrollers and Accounting Officers, becomes an Associate Editor of "The Government Accountant," an alliance which permits the members of this able organization to use a number of these columns monthly for the discussion of municipal accounting topics, the promulgation of official notices, and, in effect, provide their association with an official organ in the form of an accounting magazine originated and published by an association having fundamentally the same aims and objects as their own.

"The Government Accountant" at the same time gains a permanent department of municipal accounting under the direction of a Certified Public Accountant of recognized ability, the excellence of whose past labors was attested by his re-election to the secretaryship at the last annual convention of the National Association of Comptrollers and Accounting Officers at Detroit, and whose enthusiasm for the cause is limitless.

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For application blanks or further details address the respective secretaries, or

Yours truly,

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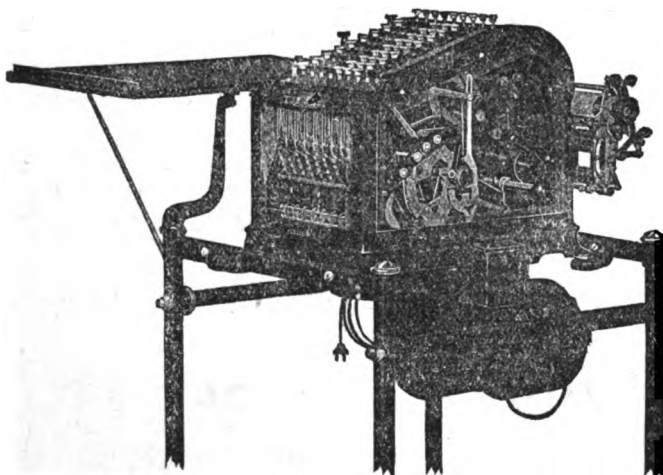
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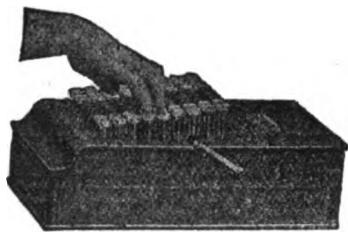
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Uniform Municipal Accounting in Canada

The following is a draft of the Report of the Special Committee of the Union of Canadian Municipalities on Uniform Municipal Accounting which the Committee propose to present to the Union at its Annual Convention at Medicine Hat and Calgary, July 26, 27 and 28, 1909.

In view of the importance of the subject the Committee is desirous of first submitting it, in this draft form, to the criticism of interested bodies, and officials, and would therefore be glad to receive such criticism, in order to perfect their work before its presentation as a completed report.

It is today widely recognized that a system of uniform municipal accounting throughout Canada, and as far as possible in harmony with the systems in the United States, would have results of vast importance. The citizen who tries to compare his local tax rate with that of some other place now finds himself confronted by insuperable divergencies of method in municipal bookkeeping and financing. In addition to the systems of bookkeeping being more or less peculiar to each unit, the basis of valuation often varies widely, the financial year probably ends on different dates, and there is no agreement nor recognized uniformity as regards grouping of items of revenue and expenditure to show costs of service. In short, if one wishes anything approaching a reliable comparison, one soon finds that it cannot be got.

It is if possible even more urgent in cases of municipal operation of water, lighting and other services that full and correct statistics be available; and to be of much benefit they should also be readily comparable with those of other places.

Urban municipalities are growing rapidly and as they grow these complexities have been found to make frauds and irregularities easier, and provincial governments and bodies occupied with public affairs are unable to collect useful statistics and in this way to supply the foundation for needed im-

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provements of various kinds. The experience of the Ontario Railway and Municipal Board in this connection may be given as follows: "The importance of a uniform system of municipal accounting in the Province of Ontario has come home to this Board in the discharge of the duties assigned to them under the Ontario Railway and Municipal Board Act of 1906. Under that Act the Board is charged with the duty of superintending the system of bookkeeping and keeping accounts of assets, liabilities, revenue and expenditure of all public utilities that are operated by municipal corporations. The Board spent much time in preparing uniform forms of reports of the operation of gas plants, telephone plants, electric light and power plants and electric railways. These report forms were sent to the various municipalities operating public utilities, who were asked to supply the information required in such reports. The Board found that owing to defective records, and the elementary systems of account in operation, many municipalities confessed their inability to furnish much material information required by the Board, while some municipalities failed to answer any substantial part of the questions asked in the reports."

If this is true of Ontario what is the situation in Provinces less developed statistically and how can the situation be relieved? The answer has been succinctly given by Dr. L. G. Powers, Chief Statistician of the United States Census Bureau—"To make City accounts an intelligent guide to the business of Municipalities, those accounts must be standardized so that the experience of a given city one year may be compared with that same city in all other years, and the experience of one city may be compared with that of all other cities. Those who had not investigated this subject used to say, in opposition to the foregoing statement, that the accounts of different cities could not be made comparable, since the business of such cities is conducted under widely different conditions and circumstances. To this I will say: It is true that there is a difference in the local municipal conditions and circumstances, to which our attention is called by these objectors, but there are like differences in the conditions and circumstances attending the operation of the various establishments using uniform accounts in private enterprises. Thus, I recently visited the headquarters of a great private corporation operating a large number of electric light, street railway, and associated plants in different parts of the country. These plants were operated under as many diverse conditions and circumstances as attend the management of the cities here represented, but their accounts were all standardized and summaries of the transactions and conditions were sent to that central office every month."

The object of this Committee is to suggest a system of

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Uniform Municipal Accounting for general adoption throughout the Dominion. It should be clear and rational, adapted to the conditions of our country, easy to establish, and as far as circumstances permit in harmony with the system prevailing in the United States.

The labor and perplexities of the committee have been vastly reduced by the fact that in the United States a sound system has already been planted, chiefly through over a decade of effort by the National Municipal League and the Washington Census Bureau. A sketch of the movement there was given in a paper by Dr. Morley Wickett, editor of *Municipal Government in Canada*, at our 1908 Convention. "In England," he states, "uniformity is largely enjoyed through the Local Government Board which was established in 1871; the Board has powers of audit and gives detailed analyses of the financial returns for over 34,000 local authorities of various kinds in England and Wales.

"In the United States the movement for uniformity may be dated roughly from the inauguration of the policy of public examiners, a species of State Auditor, with wide powers. This occurred in Minnesota in 1878, and in Massachusetts in 1879. In 1892 Wyoming followed, as did also the Dakotas, Ohio, and, later on, New York. In 1898, largely through the efforts of Dr. M. R. Maltbie, then editor of "Municipal Affairs," Congress passed a law authorizing the Commissioner of Labor to compile an abstract of statistics of cities with a population of over 30,000 — the first attempt of its kind on this Continent. Meanwhile the National Municipal League, spurred on by such men as John R. Commons, E. R. Clow and Prof. L. S. Rowe, began its study of the problem in 1896, and appointed shortly after a special committee of ten to work out a municipal program. In 1901 it named a special committee on "Uniform Municipal Accounting" with Dr. Edward M. Hartwell, Secretary of the Boston Statistics Department, as Chairman. Public attention was in this way forcibly drawn to the subject, as also by the success achieved by the States in which accounting reform is carried out. Wyoming, for example, had cut down the cost of county government within a few years by nearly 25 per cent.; by its improved system of accounting, Chicago had decreased its annual expenditure by over \$70,000, increased its revenue directly by \$600,000 and indirectly by over \$300,000 additional.

"Writers on municipal problems, whose small number in this country is a matter of regret, began to call attention instantly to the unreliability and imperfection of municipal reports. Thus where per capita figures were published, the estimate of population was found often to vary with such authority. Similarly with regard to tax rates, etc. Chicago, for example, had a tax rate of 83.65 per \$1,000, as against Boston's

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13.60. But the Chicago rate did not include a park tax of 9 to 11.50. In Chicago, it failed to explain that realty was assessed at only 10 to 11 per cent. of its selling value, while in Boston it was assessed at 90 per cent. Other examples might be multiplied, were the point not obvious; figures must be reliable, complete and comparable.

"A further stimulus to the movement for uniform accounting came from the example set by great commercial bodies. Systems of Uniform reports were worked out by the Interstate Commerce Commission, by numerous great corporations with their multitude of branches, by the New England Water Works Association, the Street Railway Accountants' Association of America (1899), the National Electric Light Association (1901), the American Gas Light Association (1902), and by a long list of other bodies having to do with electricity, gas, water, street railways, public and civil engineering, etc."

In Canada the existing deficiencies have been deplored by several observers. As early as 1882, Mr. Archibald Blue raised the question in a practical manner in the Province of Ontario and succeeded in establishing the present system there of annual statistical reports by municipalities to the Government, which, however, does not enforce any special bookkeeping nor penalties. At the 1908 Convention of the Union of Canadian Municipalities in Montreal, the Secretary placed the subject on the program for discussion in the hope of establishing a movement for its practical introduction. It was reviewed by Dr. Wickett and by Mr. Henry James Ross, public and municipal accountant of Montreal, the discussion being brought to a head by a motion of the Secretary, as follows: "That the Union of Canadian Municipalities is strongly in favor of uniform municipal accounting for the various classes of municipalities of the Dominion, and recommends that the various Provincial Governments be petitioned to introduce a uniform system of accounting by similar legislation; and the Executive Committee is instructed to establish a sub-committee to prepare such a system of suggestions and to take such measures as they may find feasible for furthering the end in view."

In consequence a special committee was appointed by the Executive consisting of the President, J. J. Ward, Controller of Toronto; the Honorary Secretary, W. D. Lighthall, K. C.; Messrs. H. J. Ross, S. Morley Wickett, Ph. D., J. F. C. Menlove (Pres. of the Union of Manitoba Municipalities), Ex-Mayor A. G. Ellis (City Treasurer of Ottawa), and George S. Wilson, Assistant Secretary. The committee have met and corresponded as fully as their distances and avocations would permit and have notified and consulted with various Provincial Governments and municipal officials, the Ontario Railway and Municipal Board, the Manitoba Municipal Commissioner,

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the Saskatchewan Municipal Commissioner, the Dominion Census Bureau, the National Municipal League, the League of American Municipalities, the United States Census Bureau, and many other officials and bodies.

The intention is that this shall result in more complete and better classified information being obtained, the classification not to be by departments or officials as at present, but by service performed with a view to showing the net cost of such service. The committee aims to have the various provincial governments agree to require each municipality to furnish the same returns to the provincial statistician and thus establish a uniform system of municipal bookkeeping and statistics throughout Canada.

The great majority of our municipalities already possess the material for the desired information; all that is required is a simple regrouping of accounts. Those whose bookkeeping system is at present of the nondescript class will be doing nothing more than their citizens and their civic responsibilities call for in improving their accounting. The committee has accordingly decided to recommend nothing heroic, but simply to draw up an outline of the information it considers each class of municipality should furnish to its citizens, to its creditors, and to the public at large, leaving to each province, or each municipality to take what action it finds necessary with regard to details. The recommendations are based upon those prepared by the National Municipal League of the United States, and modified by Mr. L. G. Powers, chief statistician at Washington, with the view to the publication of municipal statistics for the United States as a whole. The committee has made such additional modifications as were necessary to adapt the plan to conditions in Canada.

The adoption of the Committee's suggestions would involve but a very small preliminary expenditure.

The next question that naturally arises is whether the expected results make the changes worth while. In other words, will it pay our municipalities to give a little more attention to their bookkeeping and statistics? In the opinion of the committee a ready and decided answer may be given in the affirmative. At the present moment the unclassified information supplied (1) throws little, and in fact almost uniformly no light on the net cost of the various municipal services, (2) gives no adequate information on the results of municipal as against private ownership, (3) discourages zeal for economy among municipal officials, (4) prevents intelligent public interest in local affairs, (5) prejudices the most favorable sale of municipal debentures.

The circumstances of the Dominion have raised the following special questions:

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1. How should municipalities be classified for statistical purposes if, as is evident, more detailed returns should be required of those of greater size?
2. What information should be required of each class?
3. What should be expected of the Dominion Government in compiling these statistics through its statistical and census departments, the Dominion having the power of taking "the Census and Statistics" under Section 91, Sub-section 6 of the British North America Act?
4. What suggestions might be made to the various provincial governments, under whom by Section 92, Sub-section of the same act, "Municipal Institutions" are placed?
 - a. as to forms?
 - b. as to the extent to which each province should make the same obligatory?
 - c. as to supervision under provincial officials?
5. Should the fiscal and calendar year coincide?

These questions may be answered seriatim:

I. How should municipalities be classified for statistical purposes, if, as is evident, more detailed returns should be required of those of greater size?

Possibly not more than three divisions need be made at the outset.

1. Rural municipalities, including townships, parishes, counties, unincorporated municipalities and villages.
2. Cities and towns up to 10,000 population.
3. Cities and towns over 10,000 population.

II. What information should be required of each class?

A similar classification should be required of all, a more detailed classification being required of the larger municipalities.

The following is the classification of accounts that the committee would propose for general adoption:

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I. GENERAL CLASSIFICATION OF SERVICES.

	Receipts	Expenditures	Balance
General Government			
Council			
Elections			
Officials			
Buildings			
Protection of Life and Property			
Police			
Fire			
Pounds			
Health and Sanitation			
Including Street Cleaning and Sewers			
Highways			
Roads			
Sidewalks			
Street Lighting			
Charities and Correction			
Poor			
Hospitals			
Jails			
Education			
Public Schools			
High Schools			
Libraries			
Museums and Art Galleries			
Recreation			
Parks and Gardens			
Celebrations			
Miscellaneous			
Judgments, etc.			
Sundries (particularise)			
Public Utilities			
Water			
Gas			
Electric Light			
Street Railways			
Telephones			
Other Commercial Services			
Toll Roads and Bridges			
Markets and Weigh Scales			
Exhibitions			
Sundry			
Annual Levies			
Property Tax			
Income "			
Poll "			
Local Improvements			
Assessments			
Total Taxes			
Liquor Licenses			
Trade Licenses			
Fines and Fees			
Miscellaneous Temporary Items			
For Sinking Funds			
Sales of Property			
Refunds in correction of erroneous payment			
Sundries (particularise)			
Total Ordinary			
Extraordinary Items			
General debentures			
Special "			
Overdrafts			
Sundries (particularise)			
Total Extraordinary			
GRAND TOTAL			

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II. CASH BALANCES.

	General Treasury	Sinking Fund	Total
Cash on hand at beginning of year			

INVESTMENT FUND BALANCES (SINKING FUNDS).

	Cash	Par value of securities	Par value of other Investments	Total
On Hand at beginning of year				
On Hand at close of year				
Increase				
Decrease				

III. OBLIGATIONS CONTRACTED DURING THE YEAR.

	Issued		Paid			
	Par Value	Net Amount received	Interest	Par Value	Commissions	Total
General Debentures						
Local Improvement Debentures						
Overdrafts						
Outstanding Judgments						
Miscellaneous obligations						

IV. INDEBTEDNESS.

	Amount outstanding at beginning of year	Amount issued during year	Amount paid and cancelled during year	Amount outstanding at close of year
General Bonds				
Local Improvement Bonds				
Other indebtedness				

V. INDEBTEDNESS AT CLOSE OF YEAR.

Purpose of issue	Number of by-law	Character of obligation	Year of issue	Date of maturity	Rate of interest	Amount outstanding	Amount authorized but not issued

VI. LICENSES AND FEES.

Character of License granted	Number in force at close of license year	Amount of Fee	
		For Municipality	For Province
1. Hotels			
2. Clubs			
3. Liquor stores			
4. Victualers			
5. Trade and Other			

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VII. STATEMENT OF ASSETS AND LIABILITIES.

ASSETS	LIABILITIES
Available Cash in Treasury Saleable Lands and Buildings Taxes levied but not due Taxes in arrears (Collectable) Other debts due Other available assets (specify)	Debt Bonded Floating Outstanding claims Other liabilities (specify)
Non-productive— Municipal Buildings Furniture Police Land & Buildings Furniture Fire Department Land & Buildings Apparatus, etc. Schools Land & Buildings Furniture & Apparatus Libraries Land & Buildings Furniture & Apparatus Museums, etc. Land & Buildings Furniture & Apparatus Parks, Gardens and Boulevards Land & Buildings Furniture & Apparatus Jail Land & Buildings Furniture & Apparatus Workhouses, etc. Land & Buildings Furniture & Apparatus Hospitals Land & Buildings Furniture & Apparatus Asylum Equipment Other Property Public Improvements Bridges Road Pavements Sidewalks Sewers Sinking Funds Other non-available Assets (specify)	
Productive— Docks, Wharves, etc. Markets & Public Scales Gas supply system Water " " Electric Light system Cemeteries, etc.	

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VIII. GENERAL STATISTICS.

1. Area of municipality.
2. Population.
3. General Assessment.
4. Local Improvement Assessment.
5. What proportion does general assessment bear to ordinary selling values?
6. Exemptions
(all properties with fixed assessments to be assessed at full value to show real amount of exemptions.)
7. Street Mileage.
 - a. Mileage of Macadam roads.
 - b. Mileage of permanent roads.
 - c. Mileage of permanent sidewalks.
 - d. Mileage of sewers.

III. *What should be expected of the Dominion Government in compiling these statistics through its statistical and census departments?*

We recommend that the Dominion Government be memorialized to use its powers and trained officials to secure as far as practicable a national tabulation of municipal statistics along the lines set forth in this report.

IV. *What suggestions might be made to the various Provincial Governments?*

a. as to forms—

That the classification here given in outline be adopted in each province.

b. as to extent which same should be made obligatory—

Each Province should make the tabulation compulsory within a specified date; and specify such conditions as to make possible the publication of municipal statistics within six months after the close of the fiscal year.

c. as to supervision under provincial officials—

Such supervision be established as will effectually carry out the system.

V. *Should the fiscal and calendar year coincide?*

For example the city of Quebec's fiscal year ends on 30th April, as does also Winnipeg's; Sherbrooke's ends on 15th December, etc. Any such fixing of date should be understood to include the year for taxation. Thus many municipalities close their accounts on the 31st October,

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but their assessments on the 1st July, and in some cases 1st January. Both the taxation year and the fiscal year, should end on the 31st December.

It is already the practice for the majority of Canadian municipalities to end their fiscal year on the 31st December, as is widely the case also in the United States. It is also recommended by the United States Census Bureau, League of American Municipalities, National Municipal League, and other authorities. We recommend that provincial legislation should require that this practice be made uniform.

It may be remarked that the supposed advantages of closing municipal books before the end of the calendar year do not appear to be realized in actual practice.

The system proposed by us is merely a simplification of the varied methods already in use in Canada.

The resolution of the Union of Canadian Municipalities under which this committee has been working, has met with hearty endorsement on all sides.

For the successful working out of a uniform system as proposed, the cooperation of the great body of municipal officials throughout the Dominion is necessary, and the committee feels that the end in view merits, and will receive their interest and cordial support.

March 1st, 1909.

J. J. Ward,

City Controller, Toronto.
President, U. C. M.

W. D. Lighthall, K. C.,

Hon. Sec.-Treas., U. C. M.,
Montreal.

S. Morley Wickett, Ph. D.,

Editor of "Municipal Government in
Canada," Toronto.

H. J. Ross,

Accountant,
Auditor, Town of Outremont, Que.

J. F. C. Menlove,

Sec.-Treas., Virden, Man.
President, Union of Manitoba Municipalities.

Ex-Mayor A. G. Ellis,

City Treasurer, Ottawa.

G. S. Wilson,

Asst.-Sec. U. C. M., Montreal.

Property Accounting

By JAMES B. ADAMS, Assistant Forester, Forest Service.

(An Address delivered before the Association of American Government Accountants)

A record of property is a necessary aid to administration and a safeguard against misuse or misappropriation.

The distinction between property responsibility and property accountability is that while everyone who uses Government property is responsible for its proper use and for its protection, accountability is limited to those who are designated or recognized as custodians.

Two systems of property records are kept in the Forest Service. One furnishes a record of the land that constitutes the National Forests and of the permanent improvements thereon, such as roads, trails, bridges, telephone lines, and buildings, and is kept in a Forest Atlas. The Atlas contains maps, diagrams, and tables of uniform size, filed in loose-leaf binders. On these sheets are shown graphically the boundaries and history of each National Forest, its topography, drainage, the stand and species of timber, planting and logging operations, the area burnt over by forest fires, the area and condition of the grazing range, the location of agricultural settlement, permanent improvements, etc. The data in the Atlas is kept up to date by corrections obtained from current reports and by the addition, periodically, of new sheets.

The other system furnishes a record of portable property, such as furniture, field instruments, camp equipment, laboratory equipment, and supplies, and is kept on cards by the Property Auditor. This card record is kept in two series, one designated Service Accountability, and the other Individual Accountability. The cards in the Service Accountability series show the total number of each kind of article in use in the Service, and are arranged alphabetically by the name of the articles. The cards in the Individual Accountability series show the number of each kind of articles charged to each individual in the Service, and are arranged alphabetically under the name of the members to whom articles are issued and alphabetically by the name of the articles thereunder. All entries on these cards are made from, and supported by, receipts on file with the Property Auditor.

Supplies and equipment used in the Forest Service have been, so far as practicable, standardized, and have been classified as either expendable or nonexpendable. The number of kinds of standard articles used in the Service is now about 400,

half of which are classed as expendable, and the other half as nonexpendable. The great variety of articles whose use in the Forest Service is not general has made a complete standardization and classification exceedingly difficult, and on account of the introduction of improved methods involving the use of new equipment, and the changes in the annual contracts for supplies, the published list of standard articles has been frequently revised.

The problem of standardization is in many ways much easier to solve than that of classification. The Service has adopted the policy laid down in the report of the Keep Commission on the standardization of supplies, and the results have been highly satisfactory from the viewpoint of administration.

An article can not be classed as expendable on the basis only of its cost or on the quantity to be used. For example, the cost of a ranger's badge is less than the cost of certain articles of camp equipment, which, having only a small intrinsic value, are classed as expendable, while the badge, which signified the duties and authority of the wearer, has a value wholly independent of its cost and is classed as nonexpendable. While classification depends somewhat on intrinsic value other factors must be considered.

The low average cost of articles of equipment used in the Forest Service results in a relatively high cost of maintaining the record. The value of the equipment is about \$250,000, and the annual cost of maintaining the record is about \$5,000, or an annual charge of 2 1-2 per cent. The Forest Service will pay this year about \$250,000 for expendable supplies and for replacement of equipment. It will cost the Service for salaries and for freight, express, and drayage charges, about \$40,000 to handle these supplies, or 16 per cent of their value.

The Forest Service has a Supply Depot at Ogden, Utah, in which a stock of standard articles of stationery and office supplies, furniture, field instruments, and camp equipment is maintained by purchase under Service contracts. From this depot all members of the Service, except those stationed at Washington, D. C., are supplied. The needs of the members of the Service in Washington are supplied from stock kept in Washington, maintained by purchase under Departmental contract.

While supplies and equipment must ordinarily be obtained from these depots, emergency purchases may be made in the field under letters of authorization, but the articles purchased in this way must, as far as practicable, conform to the standards established for the Service.

The Property Clerk is responsible for keeping on hand in the Supply Depot a sufficient stock of standard articles to supply the needs of the Service, and makes requisition upon

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the Purchasing Agent for the purchase of necessary additions to the stock on hand.

At the beginning of the fiscal year an allotment of funds, based on approved estimates, is made by the Forester to the Purchasing Agent under which standard supplies and equipment may be purchased during the year. When articles are ordered by the Purchasing Agent they are invoiced to the Property Clerk on a form provided for that purpose. When the articles ordered are classed as nonexpendable the Invoice is accompanied by an unsigned duplicate to be used as a receipt. At the same time the signed invoice and the unsigned receipt are sent to the Property Clerk, the Purchasing Agent sends two memorandum copies of the invoice to the Property Auditor who places them in a waiting file as a check against the return of the Property Clerk's signed receipt.

When the nonexpendable articles are received by the Property Clerk the receipt is signed and sent to the Property Auditor, by whom it is held as a voucher supporting the charge which is then made against the Property Clerk upon the records. The Property Auditor then stamps on both memorandum copies of the invoice a notation that the articles have been charged to the account of the Property Clerk, and sends one copy to the Property Clerk and one to the District Fiscal Agent by whom the voucher covering the purchases will be paid.

A record of nonexpendable articles purchased in the field under letters of authorization is also obtained from invoices and receipts. Vouchers in which nonexpendable articles are charged are paid by the District Fiscal Agents only when accompanied by invoices and signed receipts. When the vouchers are paid the invoices and receipts are detached and sent to the Property Auditor. The member who signs the receipt is then charged with the articles, the receipt is filed as a voucher supporting the charge, and the invoice is returned to the member with the stamped notation that the articles have been charged to his account.

When expendable articles are ordered by the Purchasing Agent a copy of the invoice is sent to the Property Auditor who uses it in checking up the Property Clerk's semi-annual Property Return.

Supplies and equipment are issued by the Property Clerk to members of the Service upon requisition approved by the officer in charge of the administrative unit in which the articles are to be used.

Articles are invoiced to the member to whom they are issued. The invoice is signed by the Property Clerk and, when nonexpendable articles are issued, is accompanied by an unsigned duplicate to be used as a receipt by the member to whom the articles are invoiced. At the same time, the Prop-

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erty Clerk sends two memorandum copies to the Property Auditor who places them in a follow-up file as a check against the return of the corresponding receipt.

When a member receives the nonexpendable articles the receipt is signed and sent to the Property Auditor, who charges the account of the member with the articles, credits the account of the Property Clerk and files the receipt as a voucher supporting the entries. The Property Auditor then stamps on both memorandum copies of the invoice a notation that the articles have been charged to the account of the member by whom the receipt was signed and credited to the account of the Property Clerk, and returns one copy to the member and the other to the Property Clerk.

The same procedure is followed when nonexpendable articles are transferred from one member to another.

Articles which have been worn out or broken beyond repair and which have no sale value are passed upon by a board of survey. The report, when approved by the Forester, or by a District Forester, is sent, in duplicate, to the Property Auditor, who credits the account of the member charged with the articles on the records, files the original report as a voucher supporting the credit, and returns the duplicate to the member with a stamped notation that his account has been credited.

Articles worn out, or for which the Service has no further use, but for which a price can be realized by sale, are also passed upon by a board of survey and are condemned and the sale authorized. The report in duplicate, when approved by the Forester, or by a District Forester, is sent to the Property Auditor, who keeps it in a follow-up file until he receives from the District Fiscal Agent a notice that the money realized by the sale has been received by the District Depository, when he credits the member charged on the records with the articles, files the original report as a voucher supporting the credit, and sends the member the duplicate with a stamped notation that his account has been credited.

Statements in duplicate covering the abandonment or loss of nonexpendable articles are submitted to the Forester, or to a District Forester, by the member to whom the articles are charged. The statement must be in sufficient detail to enable the Forester, or the District Forester, to decide whether the abandonment was justified, or whether the loss was unavoidable or due to carelessness. An endorsement signed by the Forester, or by the District Forester, is then made upon the statement charging the member with, or relieving him from, responsibility for the articles. The statement is then sent to the Property Auditor. If the endorsement on the statement relieves the member from further responsibility, his account is credited, the original statement filed as a voucher and the duplicate returned to the member with the stamped notation that

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his account has been credited. If the endorsement on the statement charges the member with responsibility for the loss, the Property Auditor instructs him to remit the price of the article to the District Depository, and files the statement in a follow-up file. Upon receiving notice from the District Fiscal Agent that the remittance has been received by the District Depository, the Property Auditor credits the account of the member with the article, files the original statement as a voucher and returns the duplicate to the member with the stamped notation that his account has been credited.

Property Returns in duplicate are submitted semi-annually to the Property Auditor by the Property Clerk and by each member to whom supplies or equipment have been issued during the preceding semi-annual period.

These returns give separately the expendable and nonexpendable articles and show the articles on hand at the beginning of the period, and those received and expended, transferred or otherwise accounted for during the period, and those on hand at the end of the period.

After the correctness of a Property Return has been verified from the records, the Property Auditor endorses the Return, files the original, and sends the duplicate to the member.

Articles to be used by officers on a National Forest are issued by the Property Clerk to the Supervisor upon his requisition. All nonexpendable articles used on a Forest are charged on the records of the Property Auditor to the Supervisor.

The Forest Supervisor also keeps on cards a record of the property for which he is accountable. One part of the record, designated "Forest Accountability," shows the total number of each kind of article charged to him; the other part, designated "Individual Accountability," shows the number of each kind of article in stock at his headquarters and in use by himself and the members of his force severally.

When nonexpendable articles are issued to a Ranger the Supervisor prepares an invoice and receipt in triplicate, retains one copy for his files, and sends the Ranger one signed copy as an invoice and one unsigned copy to be used as a receipt. When the articles are received the Ranger signs the receipt, returns it to the Supervisor, and retains the invoice. When the receipt has been received by the Supervisor the articles are charged to the account of the Ranger who signed the receipt and credited to the Supervisor's stock. When nonexpendable articles are transferred by one Ranger to another, the Ranger making the transfer prepares a memorandum form of invoice and receipt in triplicate, retains one copy for his files, and sends the Ranger to whom the property is transferred one signed copy as an invoice, and one unsigned copy to be used by him as a receipt. The Ranger receiving the property keeps the invoice and signs the receipt and sends it to the Ranger

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making the transfer, who then forwards it to the Supervisor. The Supervisor then charges the articles to the account of the Ranger signing the receipt, credits them on the account of the Ranger by whom they were transferred, and notifies both Rangers that the transfer has been made upon the records. When transfer of accountability is not involved, articles may be receipted for on memorandum receipts.

An inspection of the property in the custody of members charged with accountability is made from time to time by inspectors. At the time of the inspection a Property Return is prepared by the member, an inventory is taken by the inspector, and the Return, with an endorsement signed by the inspector, is sent to the Property Auditor for comparison with the records in his office.

Simplicity of methods and procedure consistent with accuracy of results has been sought in establishing the system of property records in the Forest Service.

The system provides a record from which the administrative officer may know what property is used in the Service, and from which the account of the member charged with property accountability may be readily stated.

The system embodied in the Forest Atlas is entirely original. It is used in no other branch of the Federal Government, nor is it used in any foreign country so far as is known.

In its essential features the Forest Service system of keeping records of portable property is identical with that used in the U. S. Army, where long experience has demonstrated its fitness. In details the system has been adjusted to meet the conditions peculiar to the organization of the Forest Service. In organizing its business, the Service has not had the advantage common to most new enterprises, namely, that of established precedents. An enterprise of great magnitude, operating over an area of 3,500,000 square miles, has been established within a few years. New conditions are constantly developing, and the details of the system must be revised to meet them. The property of the Service is in the custody of men stationed in remote places, much of whose time is spent in the saddle, whose concern must be primarily with their field work, and whose office training is often limited. In spite of these adverse circumstances, the property records of the Service have been accurately kept, and no civil branch of the Government has at the present time a stronger grasp or better control of its property.

Opinion of the Attorney-General of the United States as to the Right of National Banks to Participate in the "Bank Depositors' Guaranty Law," of Kansas

DEPARTMENT OF JUSTICE, WASHINGTON, *April 6, 1909.*

SIR: I am in receipt of your esteemed favor of 24th ultimo, in which you call my attention to a statute recently enacted by the legislature of the State of Kansas, known as the "Bank Depositors' Guaranty Law," approved March 6, 1909, and with respect to which you request my opinion upon the following question suggested by the Comptroller of the Currency in a communication addressed to you on March 24, 1909, viz:

"Have national banks in the State of Kansas the right, under section 13 of the act referred to, to participate in the assessments and benefits of the bank depositors' guaranty fund of the State of Kansas upon the same terms and conditions as apply to State banks?"

In response to a request of the governor of Kansas I gave a hearing to the attorney-general of that State, who maintained the affirmative of this proposition, and I have given the question that consideration which its importance demands.

Two propositions, says Mr. Justice White in *McClellan v. Chipman* (164 U. S. 347-356), have long been settled by the decisions of the Supreme Court:

"First. National banks 'are subject to the laws of the State and are governed in their daily course of business far more by the laws of the State than of the nation. All their contracts are governed and construed by State laws. Their acquisition and transfer of property, their right to collect their debts, and their liability to be sued for debts are all based on State law. It is only when the State law incapacitates the banks from discharging their duties to the Government that it becomes unconstitutional.'" (*National Bank v. Commonwealth*, 9 Wall. 362.)

"Second. 'National banks are instrumentalities of the Federal Government created for a public purpose, and as such necessarily subject to the paramount authority of the United States. It follows that an attempt by a State to define their duties, or control the conduct of their affairs,

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is absolutely void, whenever such attempted exercise of authority expressly conflicts with the laws of the United States, and either frustrates the purpose of the national legislation, or impairs the efficiencies of these agencies of the Federal Government to discharge the duties for the performance of which they were created.'” (*Davis v. Elmira Savings Bank*, 161 U. S. 275, 283.)

“These two propositions, which are distinct yet harmonious, practically contain a rule and an exception, the rule being the operation of general State laws upon the dealings and contracts of national banks, the exception being the cessation of the operation of such laws whenever they expressly conflict with the laws of the United States or frustrate the purpose for which the national banks were created, or impair their efficiency to discharge the duties imposed upon them by the law of the United States.”

In considering the power of national banks to avail of the provisions of the above-mentioned Kansas act, it therefore becomes necessary to ascertain, first, what are its provisions and, secondly, whether an acceptance of these provisions would so control the conduct of the affairs of national banks as to expressly conflict with the laws of the United States.

The act is entitled “An act providing for the security of depositors in the incorporated banks of Kansas, creating the bank depositors’ guaranty fund of the State of Kansas, and providing regulations therefor, and penalties for the violation thereof.” It contains general provisions for the creation of a so-called “depositors’ guaranty fund” by contributions from the banks which shall become parties to the scheme provided for in the statute, and for the payment out of such fund of any balances due to depositors of an insolvent bank remaining after the assets and personal liability of the stockholders of the bank shall have been exhausted. The banks entering into this scheme are to be known as “guaranteed banks.” As a condition to becoming such “guaranteed bank” the directors and stockholders are required to adopt resolutions authorizing it, and the State bank commissioner must make “a rigid examination of the affairs of such bank.” If he finds it to be solvent, “to be properly managed and conducting its business in strict accordance with the banking law,” then after it shall have made with the State treasurer the deposit provided in the act, the bank commissioner shall issue a certificate “stating in substance that said bank has complied with the provisions of this act, and that its depositors are guaranteed by the bank depositors’ guaranty fund of the State of Kansas, as herein provided.”

Before receiving such certificate, each bank must deposit and shall at all times maintain with the State treasurer (subject to the order of the bank commissioner when countersigned

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by the auditor of state) bonds of a specified character to the amount of \$500 for every \$100,000 or fraction thereof of the average deposits eligible to guaranty (less its capital and surplus), as shown by its last four published statements. In lieu of bonds, the bank, at its option, may deposit money exchangeable for bonds, and, in addition, each bank shall pay in cash an amount equal to one-twentieth of 1 per cent of its average deposits eligible to guaranty, less its capital and surplus, which amount shall be credited to the bank depositors' guaranty fund with the state treasurer, subject to the order of the bank commissioner; but any bank seeking to participate in the benefits of the act after the first annual assessment for the year 1910 shall have been made—

“shall be assessed an amount approximately equal to its proportionate share of the money then in the bank depositors' guaranty fund after all losses shall have been deducted, the amount of such assessment to be determined by the bank commissioner.”

The bank commissioner shall also, during the month of January in each year, make assessments of one-twentieth of 1 per cent of the average guaranteed deposits, less capital and surplus, of each bank, until the cash fund accumulated and placed to the credit of the bank depositors' guaranty fund shall be approximately \$500,000 over and above the cash deposited in lieu of bonds. Should such fund become depleted, the bank commissioner shall make such additional assessments from time to time as may become necessary to maintain the same, provided that not more than five such assessments of one-twentieth of 1 per cent each shall be made in any one calendar year. This fund is to be held by the treasurer of the State subject to the order of the bank commissioner, to be countersigned by the auditor of State, for the payment of depositors of failed guaranteed banks as provided in the act.

Section 4 provides that when any bank shall be found to be insolvent by the bank commissioner he shall take charge of such bank as provided by law and proceed to wind up its affairs, and shall, at the earliest possible moment, issue to each depositor a certificate, upon proof of claim, bearing 6 per cent interest per annum, upon which dividends shall be entered when paid, except where a contract rate exists on the deposit, in which case the certificate shall bear interest at the contract rate.

“After the officer in charge of the bank shall have realized upon the assets of such bank and exhausted the double liability of its stockholders, and shall have paid all funds so collected in dividends to the depositors, he shall certify

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all balances due on guaranteed deposits (if any exist) to the bank commissioner, who shall then, upon his approval of such certification, draw checks upon the State treasurer, to be countersigned by the auditor of State, payable out of the bank depositors' guaranty fund in favor of each depositor for the balance due on such proof of claim as hereinafter provided. If at any time the available funds in the bank depositors' guaranty fund shall not be sufficient to pay all guaranteed deposits of any failed bank, the five assessments herein provided for having been made, the bank commissioner shall pay depositors *pro rata*, and the remainder shall be paid when the next assessment is available; provided, however, that whenever the bank commissioner shall have paid any dividend to the depositors of any failed bank out of the bank depositors' guaranty fund, then all claims and rights of action of such depositors so paid shall revert to the bank commissioner for the benefit of said bank depositors' guaranty fund until said fund shall have been fully reimbursed for payments made on account of such failed bank, with interest thereon at 3 per cent per annum."

By section 5 a penalty of 50 per cent of the amount of an assessment is imposed in all cases where a bank shall fail to pay such assessment within thirty days after receipt of notice thereof; and, in the event of such failure, the bonds on deposit by said bank as a part of the depositors' guaranty fund shall be sold, the assessment paid out of the proceeds, and the balance, together with the remainder of the bonds or cash, is forfeited to the bank depositors' guaranty fund, if the bank does not, within sixty days from default of payment of such assessment, remit the full amount of such assessment and penalty to date, and restore the amount of its bonds or money pledged, as evidence of good faith. Upon the failure of the bank to remit its assessment according to the act, the bank commissioner is to immediately examine the bank, and if it is found, in his judgment, to be insolvent, he shall take charge of and liquidate the same according to law. If he finds it to be solvent he shall cancel its certificate as a guaranteed bank, and cause notice to be given of that fact.

Section 6 provides that only the following deposits shall be guaranteed by the act, viz:

"Time certificates not payable in less than six months from date and not extending for more than one year, bearing interest at not to exceed three per cent per annum and on which interest shall cease at maturity;

"Savings accounts not exceeding in amount one hundred dollars to any one person and not subject to check, upon which the bank has reserved in writing the right to re-

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quire sixty days' notice of withdrawal, and bearing interest at not to exceed three per cent per annum.

"Deposits which are primarily rediscounts or money borrowed by the bank, and all deposits otherwise secured, shall not be guaranteed by this act."

The guaranty provided for in the act "shall not apply to a bank's obligation as indorser upon bills rediscounted, nor to bills payable, nor to money borrowed temporarily from its correspondents or others.

By section 7, each bank guaranteed by the act must keep a correct record of the rate of interest paid or agreed to be paid to each depositor, and make a statement thereof under oath to the bank commissioner quarterly.

By section 11, if, at any regular or special examination of a guaranteed bank, it shall be found to be violating any of the provisions of the act, the bank commissioner shall notify the bank, and if, at the expiration of thirty days, the provisions of the act shall not have been complied with, he shall cancel its certificate of membership "and forfeit its bonds deposited with the State treasurer for the benefit of the bank depositors' guaranty fund."

Section 14 makes it—

"unlawful for any bank guaranteed under the provisions of this act to receive deposits continuously for six months in excess of ten times its paid-up capital and surplus, and the violation of this section by any bank shall cancel its rights to participate in the benefits of a bank depositors' guaranty fund, and work a forfeiture of its bonds deposited with the State treasurer for the benefit of such fund."

Section 13 provides that any national bank doing business in the State of Kansas—

"after an examination at its expense by the State bank commissioner, and upon his approval as to its financial condition, may at its option participate in the assessments and benefits of the bank depositors' guaranty fund of the State of Kansas upon the same terms and conditions as apply to State banks; provided, that such national banks shall forward to the bank commissioner of the State of Kansas detailed reports, in form to be provided by him, of its condition on the dates of the usual called statements of State banks (such report not to be published except at the option of the bank), and shall submit to one examination each year by his department (or oftener in his discretion), as provided by the banking laws of the State of Kansas, and pay the usual fees therefor. Should a national bank disregard

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or refuse to comply with any recommendation made by the bank commissioner, in conformity with the provisions of this act, it shall immediately be subject to the provisions and penalties of this act, and its certificate of membership in the bank depositors' guaranty fund shall be canceled."

The question of the power of a national bank to avail of the invitation extended to it by this act involves primarily a consideration of the nature of the agreement contemplated by it. Attorney-General Bonaparte, in an opinion rendered to the Secretary of the Treasury, under date of July 28, 1908, considering an act of the legislature of the State of Oklahoma (27 Op. A. G. p. 38), determined that a national bank could not lawfully enter into the plan or scheme contemplated by that act, because it involved essentially a guaranty to the depositors of all State banks in Oklahoma, and other national banks in that State which might accept the terms of the law, that their respective depositors should be paid in full; a contract which he deemed to be clearly *ultra vires*.

The act now under consideration attempts to avoid this objection by limiting the amount for which any bank may become liable, but within such limitation the same principle is involved, for to the extent of the contribution and liability required by the statute each bank becomes liable to creditors of the other banks which are parties to the plan. But even if a proper construction of the act would, as contended, make it a guaranty by each bank of payments to its *own* depositors, and not a general guaranty within the limits of contribution prescribed by the act, of all deposits in all the banks which are parties to the scheme, nevertheless I am strongly of the opinion that a national bank is without corporate power to expend its moneys for the purpose of providing insurance that its depositors shall be paid in full. It may, of course, insure its own property against loss or destruction; it may insure itself against loss of property through theft or other dishonesty, but the application of its funds for the purpose of securing a collateral guaranty by third parties that it will pay in full its debts to its depositors is, it appears to me, beyond its corporate power.

Such contract would fall within the principles asserted in *Commercial National Bank v. Pirie* (82 Fed. 799), *Bowen v. Needles National Bank* (94 Fed. 925), for, if as is well established, a national bank has no power to guarantee the obligation of another, it certainly has no power to employ another to guarantee its own obligation to a third person. In *Thilmany v. Iowa Paper Bag Company* (108 Iowa, 333) the court, speaking of a national bank, said: "Indeed, we think there is a manifest distinction between the right of a bank to guaranty choses in action belonging to it and its right to guarantee those

belonging to another." The debt of a bank to its depositor is a chose in action belonging to that depositor, and it appears to me to be beyond the corporate power of a national bank to expend its moneys for the purpose of procuring others to guarantee the holder of that chose in action against loss.

But, assuming that a national bank has corporate power to enter into a contract and pay a premium to insure to its depositors the payment in full of their deposits, the statute under consideration imposes upon the banks which shall avail of its provisions conditions and obligations which, in my opinion, are at variance with the provisions of the national banking act, and which cannot therefore be accepted by national banks without violating the statutes under which they are created and exist; for it is of course well settled that Congress, which has created the system of national banks, "is the judge as to the extent of the powers which should be conferred upon such banks, and has the sole power to regulate and control the exercise of their operations." (*Easton v. Iowa*, 188 U. S. 220.)

The entire scheme of the act contemplates examination and visitation by the state bank commissioner as a condition to entry by the bank into the guaranty fund and its continued membership in the guaranty fund. To secure compliance with the requirements of the bank commissioner, the securities and money deposited by a guaranteed bank may be forfeited in case (1) the bank shall fail to pay assessments levied by the bank commissioner, or (2) it shall pay interest otherwise than as provided by section 7 of the act, or (3) if it shall be found by the bank commissioner to be violating any of the provisions of the act and shall fail for thirty days to comply with his direction to conform to such requirements, or (4) if it shall receive deposits to an amount in violation of the limit prescribed by section 14. Moreover, the scheme of the act contemplates a winding up, in the event of insolvency, by the state bank commissioner, the realization by him or the officer in charge of the bank (and it may be noted, in passing, that by chapter 14, laws of 1908, amending the Kansas general statutes, the entire liquidation of the bank is to be carried on by the bank commissioner or a receiver appointed by him, with the provision that he shall appoint anyone whom the holders of 50 per cent of the claimants shall agree upon, in writing of the assets of the bank, including the enforcement of the double responsibility of the stockholders and the distribution of the funds so collected in dividends to the depositors. Then, and only then, is the bank commissioner required to draw his check upon the state treasurer to be countersigned by the auditor of state, payable out of the bank depositors' guaranty fund in favor of each depositor for the balance due upon such proof of claim; and it is further to be noted that "whenever the bank

commissioner shall have paid *any* dividend to the depositors of any failed bank out of the bank depositors' guaranty fund, *then* all claims and rights of action of such depositors so paid shall revert to the bank commissioner for the benefit of said bank depositors' guaranty fund, until said fund shall have been fully reimbursed for payments made on account of such failed bank, with interest thereon at 3 per cent per annum."

In *Easton v. Iowa* (188 U. S. 220) a statute of Iowa, prohibiting any bank, etc., from accepting money, etc., on deposit when insolvent, and imposing a penalty of fine and imprisonment upon any bank or officer of a bank who so received deposits, was held to be invalid as applied to national banks and their officers, as amounting to an attempt to regulate and control the business operations of national banks. On the part of the State of Iowa it was contended that the effect of the statute was to require of the officers of all banks within that State a higher degree of diligence in the discharge of their duties, and to give to the general public greater confidence in the stability of national banks and in the honesty and integrity of their officers. The Supreme Court said:

"But we are unable to perceive that Congress intended to leave the field open for the States to attempt to promote the welfare and stability of national banks by direct legislation. If they had such power it would have to be exercised and limited by their own discretion, and confusion would necessarily result from control possessed and exercised by two independent authorities.

"Nor can we concede that by such legislation of a State, as was attempted in this instance, the affairs of a national bank or the security of its creditors would be advantageously affected. The provision of the state statute is express that it is the duty of the officers of the bank, when they know it is insolvent, to at once suspend its active operations, for it is obvious that to refuse to accept deposits would be equivalent to a cessation of business. Whether a bank is or is not actually insolvent may be, often, a question hard to answer. There may be good reason to believe that, though temporarily embarrassed, the bank's affairs may take a fortunate turn. Some of the assets that can not at once be converted into money may be of a character to justify the expectation that, if actual and open insolvency be avoided, they may be ultimately collectible, and thus the ruin of the bank and its creditors be prevented. (*McDonald v. Chemical National Bank*, 174 U. S. 610.) But under the state statute, no such conservative action can be followed by the officers of the bank, except at the risk of the penalties of fine and imprisonment. In such a case the provisions of the Federal statute would permit the Comptroller to withhold closing the bank and

to give an opportunity to escape final insolvency. It would seem that such an exercise of discretion on the part of the Comptroller would, in many cases, be better for all concerned than the unyielding course of action prescribed by the state law. However, it is not our province to vindicate the policy of the Federal statute, but to declare that it can not be overridden by the policy of the State."

After reviewing all of the authorities, the court said:

"Our conclusions, upon principle and authority, are that Congress, having power to create a system of national banks, is the judge as to the extent of the powers which should be conferred upon such banks, and has the sole power to regulate and control the exercise of their operations; that Congress has directly dealt with the subject of insolvency of such banks by giving control to the Secretary of the Treasury and the Comptroller of the Currency, who are authorized to suspend the operations of the banks and appoint receivers thereof when they become insolvent, or when they fail to make good any impairment of capital; that full and adequate provisions have been made for the protection of creditors of such institutions by requiring frequent reports to be made of their condition, and by the power of visitation by Federal officers; that it is not competent for state legislatures to interfere, whether with hostile or friendly intentions, with national banks or their officers in the exercise of the powers bestowed upon them by the general government."

It is contended on behalf of the authorities of the State of Kansas, however, that national banks are not subjected to these provisions of control which, admittedly, are at variance with the national banking act, and that, where it is specified in section 13 of the statute that national banks may participate in the benefits of the guaranty fund "upon the same terms and conditions as applied to state banks," the statute should be interpreted to mean "upon the same terms and conditions as applied to state banks, in so far as it may be lawful for national banks to subject themselves to such terms;" and strength is said to be given to that contention by the consideration that the succeeding proviso that the national banks shall forward to the bank commissioner of Kansas reports in form to be provided by him of its condition, and shall submit to one examination each year by his department, or oftener in his discretion, as provided by the banking laws of the State of Kansas, evidences as intention that, except in those two particulars, the national bank is only to be bound by so much of the remainder of the act as may not be inconsistent with the national banking act, upon the principle that *expressio unius est exclusio alterius*.

But immediately following this proviso, in the same section, is the express enactment that, if a national bank should

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disregard or refuse to comply with *any* recommendation made by the bank commissioner in conformity with the provisions of this act, "it shall immediately be subject to the provisions and penalties of this act and its certificate of membership in the bank depositors' guaranty fund shall be canceled;" so that it is indisputable that the assets of a national bank deposited as a condition to accepting the benefits of this act are subject to forfeiture in case it shall fail to comply with the requirements and recommendations of the bank commissioner made pursuant to this act. In my opinion, such a contract is wholly without the powers of a national bank and would expose it to forfeiture under section 5239 of the Revised Statutes, which provides—

"If the directors of any national banking association shall knowingly violate, or knowingly permit any of the officers, agents, or servants of the association to violate any of the provisions of this Title, all the rights, privileges, and franchises of the association shall be thereby forfeited."

The foregoing renders it unnecessary to consider whether or not the deposit of moneys to be applied in the event of insolvency to the payment of one class of creditors only in preference to other creditors of the bank would be in violation of the provisions of section 5242 of the United States Revised Statutes.

Answering specifically the question which is submitted for my consideration, viz, "Have national banks in the State of Kansas the right, under section 13 of the act referred to, to participate in the assessments and benefits of the bank depositors' guaranty fund of the State of Kansas, upon the same terms and conditions as apply to state banks?" I would respectfully state that, in my opinion, they have not such right, and only an act of Congress can confer such powers upon national banks.

Respectfully,

GEORGE W. WICKERSHAM,
Attorney-General.

To the honorable

The SECRETARY OF THE TREASURY.

The Non-Listing Adding Machine and Its Uses

By GEORGE C. OWENS, of Felt & Tarrant Manufacturing Company.

(*Excerpts from an Address Delivered before the Association of American Government Accountants.*)

Attention has been drawn especially to the Comptometer in the last two or three years owing to the fact that the Comptometer has made world's records for adding and multiplying in the speed and accuracy contests held at the numerous business shows throughout the country as well as the enormous savings it is effecting in railroad and business offices. It has

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been the object of great interest, not alone by bookkeepers and business men, but by accountants, actuaries, universities and mathematicians. The records made on the Comptometer have been so overwhelmingly great on addition that it has been impossible to find any other adding machine which could be operated one-half as fast. The manufacturers of other adding machines after taking part and being defeated in several contests, decided they would have to form another class for their slower or lever-operated adding machines to avoid competing with the Comptometer. It can be readily seen that an entirely key-operated adding and calculating machine, such as the Comptometer, should be more rapid than a lever-operated machine, because in the latter great speed is sacrificed by having to remove the hand from the keyboard and thus losing the position of the hand on the keys. This gives the Comptometer undisputed control of the leadership among adding machines. In a recent public contest on addition, open to all makes of machines, there were added on the Comptometer 500 checks in four minutes and nineteen seconds. This is at the remarkable rate of 115 checks a minute. This is almost as fast as an expert bank clerk can count bills. Adding checks is far more difficult than adding items arranged in columns, owing to the checks having to be turned. Where it is necessary only to point the item, greater speed is even possible. One who is only a fair operator on the Comptometer can easily turn out twice as much addition as can a mental computer. For instance, one using the Comptometer can easily add 60 items a minute with absolute accuracy where a mental computer would have to work at top speed trying to maintain a writing speed of 30 items a minute without adding.

For performing multiplication the Comptometer made another phenomenal record. The 25 multiplications here shown were multiplied and the accumulated totals written in two minutes and nine seconds. The contest was public, open to all makes of machines and held at the National Business Show, New York. This record is forty per cent better than the next competing calculator. As in addition these multiplications were performed in less time than it is possible to write the factors.

5312 x 478	163 x 495	3284 x 368	
1637 x 374	4578 x 68	518 x 6557	
846 x 460	1723 x 5457	3252 x 75	
2424 x 7067	624 x 182	2139 x 845	
1692 x 524	21,533,310	11683 x 61	10,620,681
		254 x 8012	10,821,896
375 x 517		724 x 58	
236 x 688		831 x 612	
246 x 934		1413 x 2156	
743 x 7609		96 x 2730	
93 x 588	6,294,178	169 x 589	3,931,313

The Comptometer is the first entirely key-operated adding or calculating machine ever made. It is the oldest and most

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practical of the present-day adding or calculating machines, dating back to 1887, when it was invented and put on the market by Dorr E. Felt, of Chicago. The idea of making inanimate steel perform functions of the brain would seem ludicrous. The highest development in machinery to relieve the brain has been adding and calculating machines. It is not so difficult to make a machine which will perform one class of figuring at a fair speed and be so slow on other classes of figuring as to be almost useless, as it is to make an entirely key-operated adding or calculating machine, and thus give it unlimited speed. This difficulty has not been experienced by the manufacturers of the Comptometer. In fact, the manufacturers of the Comptometer are the first to successfully solve the problem. They are the only ones manufacturing such a machine and having basic patents. The construction of the Comptometer is not complicated. The simplicity of its construction is borne out by its being interchangeable and its few parts. Its record for durability exceeds seven years and three months for each repair, which is even more durable than a typewriter, although the functions performed by a typewriter are very simple.

The Comptometer has paved the way for all adding and calculating machines doing business today. It had to meet great prejudice, like any new invention, but this it has overcome admirably, as its sales record will show.

Inasmuch as everyone possesses a limited knowledge of arithmetic, the methods being either fast or slow by mental process, it would seem that all that is necessary to successfully operate calculating machines is to take hold. Mental arithmetic and mechanical arithmetic are unlike in that in the former the brain does all the thinking and the hand the writing, while in mechanical arithmetic all the brain is called upon to do is to retain for an instant the figures to be handled and guide the fingers in touching the keys. It will thus be seen that figuring by mechanical means must be far more simple and rapid.

To successfully use mechanical calculators, slightly different methods, but in effect the same principles, are used. It is therefore necessary that instruction be given in the handling of such calculators, the same as with any device of any nature. Skill in the use of an adding machine is acquired more readily than with a typewriter, because of the simplicity of the keyboard and few figures comprising its makeup, as compared to the twenty-six letters of the alphabet, the nine figures and special characters.

Mr. Felt's principle of operating the Comptometer is entirely by keys, the same as a typewriter, which gives it unlimited speed. Mr. Felt was the first to successfully overcome such difficult mechanical problems as arresting the momentum of a numeral wheel under the impulse of hard, sharp or varying keystrokes. Also, the first to successfully overcome the

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problem of taking care of the carrying from column to column at high speed. Having overcome these mechanical problems which puzzled inventors for scores and scores of years, he went a step further and devised the complete keyboard found today on all adding machines of any consequence. This made possible the addition of entire items at a time instead of adding a single figure and running up and down a column as in mental addition.

Addition is very simple to understand, but it requires more practice to develop speed owing to the addends being of varying amounts, therefore calling the entire keyboard into use. The keyboard is the regular decimal arrangement; the units, 1 to 9, are in the first column, the tens, 10 to 90, in the second, and so on. To add items, one would strike the keys in the same order as the figures would have to be written on paper; units under units, tens under tens, etc., on the right of the machine. Thus, to add 346 strike the 3 key in the third or hundreds column, the 4 key in the tens column, and the 6, or units figure, in units column, when such number appears on the register. As each item is struck on the keys it is instantly accumulated on the register with any amounts previously added.

The speed of adding machines has not progressed beyond the point to which Mr. Felt brought it with the invention of the Duplex Comptometer in 1903, and it is perfectly safe to say there will never be a more rapid machine for addition than the Comptometer. It is impossible to find a shorter method of touching one key for each figure to be added or written. If such a thing were possible, typewriter manufacturers would have discovered such a method long ago in writing letters and figures. As the same figures comprising the keyboard of the Comptometer are found on a typewriter, any such shorter method naturally would have to apply equally as well on the Comptometer.

Like many inventors, Mr. Felt did not realize until after years the great usefulness and scope of his invention. As the Comptometer continued to enjoy a greater sale he discovered that his machine would multiply, divide and subtract with no additional mechanism, with one exception, a subtraction cut-off. One not acquainted with adding machines would ask how could such a machine made to perform so many classes of arithmetic and with unlimited speed, ease and accuracy? Also, how can so many different mechanisms be incorporated without interfering with one another? Any machine entirely key-operated that will add will also multiply, divide and subtract, and at a speed far in excess of human effort.

HOW TO MULTIPLY.

To multiply with the Comptometer take one number on the keys and count the strokes indicated by the other number. For example, to multiply 578×463 . As the duplex feature permits

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striking any number of keys at the same time, place the fingers on 578 and strike three times for the units figure. Moving one column to the left, strike six times for the tens figure, moving once more to the left, strike four times, when the answer, 267,614 appears on the register.

The explanation would seem long, but the problem just used can be multiplied in less time than one can write the factors. Multiplication is exceedingly simple to learn and to acquire speed. Very little use of the Comptometer gives amazing speed. In fact, fifteen minutes' use will enable one to multiply at a greater speed than can an expert mental computer.

DIVISION AND SUBTRACTION.

Each key bears on its top a small figure which indicates the power of that key for subtracting and dividing, which operations are the converse of adding and multiplying. In order to acquire facility in the use of the Comptometer for dividing and subtracting it is first necessary that one learn addition and multiplication. The Comptometer effects a great saving of time on these operations also.

The Comptometer as a complete calculator has a larger field of usefulness, as well as a larger business field, than any adding or calculating machine which has made its appearance on the market. The necessity of a complete calculator is apparent, because every mental computer in the course of his work finds it necessary to add, multiply, divide and subtract. As a complete calculator, and of unlimited speed, the Comptometer becomes indispensable. Where machines, adapted to adding or some other class of figuring alone, are used on such figuring and the work changes, it is necessary to return to mental figuring, unless provided with a Comptometer. It is equally as essential that an adding machine be capable of multiplying, dividing and subtracting as it is that an accountant, bookkeeper or clerk handling figures have a practical knowledge which they can use when called upon. One with a partial knowledge of figuring in these positions of responsibility is entirely out of the question, and through their inability we do not find them holding such positions.

As an instance where Comptometers are being used for all classes of figuring it is well to mention the Southern Pacific Railroad Company., San Francisco, Calif., in the office of the Assistant Auditor of Freight Accounts. With a total investment of less than \$17,000 in Comptometers, a saving of \$8,500 a month is being effected, 50 per cent dividend a month, or \$102,000 a year, or 600 per cent dividend. There are many other railroad offices effecting very large savings, but the foregoing one is the largest saving made public.

The article of William M. Wallace, C. E., Member of the Association of Soc. Naval Architects and Mechanical Engi-

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neers, on calculating machines appearing in the *American Machinist* of April 19, 1900, is illustrative of the Comptometer's superiority as an adding and calculating machine. The article reads in part as follows:

"As a scientific computer, I use on my desk the Thomas Arithmometer, the Burkhardt Arithmometer, the Brunsviga, the Comptometer, the Comptograph, the Fuller, Thatcher and Manheim slide-rules, and can speak more or less authoritatively on the merits of the machines above mentioned.

"The Comptometer is the handiest and the only practical adding machine unless a printed list is wanted. Its greatest forte is multiplication, and division is also simple in the hands of a person skilled in its use. To a novice the Comptometer would appear difficult of operation, but practice makes its operation almost a pleasure. It is, in my opinion, far superior to all existing machines with which I am familiar for addition, multiplication and division, with the single exception of a number of multiplications or divisions by a constant, in which case the Thomas Arithmometer would be more desirable."

The United States Government has purchased a large number of Comptometers, which in service are equal to double the number of any other adding machines in volume of addition they can turn out, and the same holds true with multiplication and division.

An attempt to enumerate the different special classes of work on which the Comptometer can be applied would be impossible. Suffice it to say, any problem that can be figured by mental process can be solved on the Comptometer at a great saving of time and effort. This gives one a fair idea of its wonderful adaptation.

Comptometers are built for handling feet and inches, yardage, hours and minutes, dozens and gross, payroll, tonnage, £, s. d. as well as for farthings.

The reduction of foreign currency to dollars and cents and vice versa is quite a problem and a heavy task in many offices, but when done on the Comptometer it is exceedingly simple and an exceptionally large saving of time can be effected.

The use of short cuts, wrought out through long experience in the sale and introduction of the Comptometer, increases the operator's speed to a marvelous degree. For instance, the use of reciprocals in figuring the cost of paper by the sheet when the quantity is expressed in reams, bundles or bales; dozens, gross or great gross; long tons, etc. The use of reciprocals reduces all difficult division to simple multiplication. To use reciprocals when figuring mentally would in many instances make the work even more laborious and time-consuming. With the Comptometer, as it does all the mental work for the operator and saves all writing of figures, it is always shorter to use reciprocals where dividing otherwise would be necessary.

Association Notes

One of the most notable instances of advancement made by members of the Association of American Government Accountants during the past month has been the appointment of Dr. E. Dana Durand to the office of Director of the Census, where he will have charge of the important work of taking the Thirteenth Decennial Census, which must be undertaken in 1910. Dr. Durand was formerly Deputy Commissioner of Corporations in the Department of Commerce and Labor, where he was directly engaged in the examination of the Standard Oil combination, involving the collation and digest of many volumes of historical and statistical material, and the interpretation of the financial accounts of the several subsidiary companies concerned. On the witness stand his testimony proved to be among the most valuable that the Government produced; while in his research work he has displayed the most abounding enthusiasm. The Bureau of the Census is to be congratulated.

The advancement of members of the Association is by no means limited to promotion in the Federal Civil Service itself, as illustrated in the recent election of George F. Moore, admitted as an Associate Member last December, to the Presidency of the Manufacturers' Railway of St. Louis, an important factor in the terminal switching business of the Southwestern Metropolis. Mr. Moore was a Special Examiner in the Interstate Commerce Commission at the time of his separation from the Federal Service, and would undoubtedly have taken an important part in the work of placing the accounts of interstate carriers on a uniform basis, as contemplated by the Interstate Commerce Law, had he remained.

In spite of his many engrossing responsibilities, Mr. Moore has not forgotten his connection with the Association, and is keeping in touch with it as an Affiliated Member.

It is the intention of the Secretary to keep an up-to-date, authentic record of transfers, promotions and other changes affecting the status of members of the Association, and to aid him in this matter, he will thank you to keep him posted from time to time as changes occur, especially if you learn of the promotion of some fellow member who is, himself, too modest to report his own advancement. It is believed that the average number of promotions among members of the Association is greater than that among employees in the Federal Civil Service at large, for the reason that the Association Membership is composed primarily of persons who are engaged in strengthening their attainments in the particular line of activity in which they find themselves. The mere fact that they have allied themselves with an organization, the avowed purpose of which is to encourage the study and discussion of questions of advanced and practical accounting is *prima facie* evidence of a superior interest in their work.

The Government Accountant

P. O. Box 27, Main Office.
WASHINGTON, D. C.

J. P. MULLER,

Editor.

B. F. HARRAH,

Associate Editor.

R. M. CHAPMAN,

Associate Editor.

N. E. WEBSTER, JR.,

Associate Editor.

JUNE 25, 1909

Will the Proposed Tax on Interstate Corporations Lead to a National System of Accounting?

The President's recent message to Congress proposing a tax of 2 per cent on the net income of all interstate corporations as a franchise tax was purely advisory in tone, and did not offer any suggestions to Congress as to the methods to be prescribed for collecting the tax, measuring the net income, or the rules by which such income is to be ascertained, presumably because the consideration of those points was held by the executive as belonging entirely to the legislative branch of the Federal Government.

Though it may closely approach the field of idle speculation, we cannot resist the temptation to philosophize somewhat on the possibilities for uniform accounting and national accounting rules, which any legislative act, to be effective and thoroughly equitable and just to all contributing corporations, must necessarily bring about.

All public accountants whose practice has been extensive and varied will agree, we believe, that there is not at this writing any locality nor any particular branch of commercial or industrial activity, apart from national banks and transportation corporations, which may be said to practice anything approaching uniformity in classifying their operating accounts, nor in stating their affairs periodically in the form of income account and balance sheet in such a manner as to have any real comparative value, one concern with another in the same line, or one corporation with another in the same locality.

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These conditions would necessitate the adoption of one of three possible courses of procedure:

(a) The sworn statements of the interstate corporations must be accepted at their face value for a basis of assessment, which would not represent an equitable tax basis at best and would in effect put a premium on dishonesty.

(b) Governmental agents appointed for the purpose would be required to examine the accounts and records of each interstate corporation and judge each case on its merits. One need not be an expert accountant to find the weak spots in a system which would call for sound judgment, accounting ability, and sterling honesty combined in each member of a large body of individual governmental assessing agents, for which positions few applicants, indeed, would be found who possess all these qualifications. When we further realize that probably more than 80 per cent of the entire business of the United States is conducted by interstate corporations, we get a fairly good idea of the stupendous labor the above process would involve. The expense it would necessarily entail is also a factor not to be overlooked.

(c) There seems then only one course open approaching closely the system in vogue in Germany and other European states of giving the executive officer charged with collecting the tax power to prescribe a set of elementary or fundamental rules of accounting to be observed by all corporations subject to such tax.

That a set of basic rules governing the receipts and expenditures of any and all classes of commercial and industrial activity is possible of accomplishment is not open to question; that a competent body of accountants can be recruited by the Federal Government for the work of devising such rules and supervising their operation by the examining of the corporations' attested annual income account statements with occasional local verification at a minimum expenditure of public funds we know to be feasible; that such an enactment and such standard accounting rules promulgated under its authority, no matter how few and elementary they might be at the start, must inevitably lead to greater uniformity of accounts in all directions and prove of inestimable value to accountancy as a profession, is as certain as that greater stability in the market value of all securities would result therefrom with its attendant lessening of the chances for stock market panics.

Association of American Government Accountants

Organized November 14, 1906

Post Office Box 27, Main Office, Washington.

OFFICERS AND COMMITTEES.

Elected at the annual meeting held May 27, 1909, to serve for one year.

Officers.

Le Grand Powers, President. (Bureau of the Census.)
Alonzo Tweedale, Vice President. (Municipal Building, D. C.)
James L. Wilmeth, Treasurer. (Treasury Department.)
E. S. Hobbs, Secretary. (Interstate Commerce Commission.)

Standing Committees.

The Chairmen of these committees are Trustees, and together with the officers form the Board of Trustees.

Editorial.

J. P. Muller, Chairman. (Interstate Commerce Commission.)

Finance.

Theo. L. De Land, Chairman. (Treasury Department.)

Membership.

C. W. Barry, Chairman. (War Department.)

Lectures and Meetings.

Chairman to be selected by the Board of Trustees at a later date.

Library.

Samuel J. Barclay, Chairman. (Interstate Commerce Commission.)

Education.

Noble Newport Potts, Chairman. (Department of Commerce and Labor.)

The personnel of these committees will be published in subsequent issues as soon as the names are announced by the respective chairmen.

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OBJECTS OF THIS ORGANIZATION:

1. To unite in one organization employes of the Federal, State and Territorial Governments of the United States of America, and of the District of Columbia, including Municipal Officers and employes of City Governments having control of or participation in accounting, including the subjects of appointment, purchase, and issue or sale, collecting and disbursing, examining and auditing, bookkeeping, statistical and actuarial subjects.

2. To encourage and facilitate the adoption of economical, expeditious, progressive, and uniform methods in handling the accounting features of the fiscal operations of the Government.

3. To provide means for the technical education and independent study of its members:

First. By promoting and encouraging the study and discussion of questions of advanced and practical accounting and adaptations and improvement of methods.

Second. By originating and disseminating original essays and papers concerning the theory, law, and practice of accounting, and encouraging the expression of individual opinion on controverted points.

Third. By providing occasional addresses on particular features of accounting, either governmental or commercial, by persons outside the Association having expert technical knowledge and experience.

Fourth. By providing a library and a catalogue of the works on accounting and kindred subjects at present available in various local libraries.

Fifth. By advocating systematic instruction in accounting and administration in schools and colleges.

MEMBERSHIP:

The membership of this Association shall consist of three classes, Associate, Active, and Affiliated.

1. Associate Members: All Government employes whose titles or duties are those of accountant, actuary, auditor, statistician, bookkeeper, cashier, chief of division of accounts, comptroller, disbursing officer, examiner, inspector, law clerk, or purchasing agent, and generally all those having to do with the initiation, approval, settlement, audit, and record of fiscal transactions, as well as the Government Examiners for Banking, Insurance, Transportation or Public Service Corporations, are eligible for associate membership in the Association.

2. Active Members: Such persons as shall have been satisfactorily tested as to their qualifications shall become eligible for active membership in this Association.

3. Affiliated Members: Such persons as are, or may have been, in the Government service, and are actively interested in the subject of accounting, and whose attainments in that line are such as to merit such recognition, are eligible for affiliated membership in this Association.

Association of American Government Accountants

Organized November 14, 1906

Post Office Box 27, Main Office, Washington

APPLICATIONS FOR MEMBERSHIP.

All applications by mail, for enrollment as Active, Associate or Affiliated Member should be addressed to the Secretary, P. O. Box 27, Main Office, Washington, D. C., for transmission to the respective committees.

MEMBERSHIP DUES.

payable annually in advance for

Active Membership.....\$5.00

Associate Membership..... 2.00

Affiliated Membership..... 2.00

including one year's subscription to the Association's official organ. This subscription is not compulsory, and any member not wishing to be served with the magazine, may retain membership by deducting \$1.50 p. a. from his assessment, contributing to the General Fund of the Association only.

METHOD OF COLLECTING DUES.

For the convenience of those members of the Association of American Government Accountants, employed in the Departmental Service at Washington, D. C., messengers will be employed by the secretary to deliver at the various Offices after June 1, 1909, due bills properly signed by him, the messengers being authorized to receive face value in checks or currency.

MEMBERSHIP ROLL.

This issue of THE GOVERNMENT ACCOUNTANT goes to press prior to June 25,, 1909, the date set for the June meeting of the Board of Trustees, hence all applications for membership received since May 31, 1909, and passed at the June meeting will be published in the July issue.

Obituary

Two deaths during the past month have occurred in the membership of the Association of American Government Accountants. Both men were charter members and had always been loyal supporters of the Association.

Col. A. C. Caine, who died June 15, was formerly disbursing clerk in the Department of Justice, and was well known in all the executive departments.

Joseph Nimmo, Jr., at the time of his death, also June 15, was an affiliated member, having severed his connection with active departmental life, and was formerly at the head of the Bureau of Statistics at one time in the Treasury Department, and now a part of the organization of the Department of Commerce and Labor, where he had charge of the compilation of trade and commerce statistics—domestic and foreign.

The Association will honor the memory of these men as pioneers in the establishment of an organization which they justly believed would be the means of increasing the usefulness of themselves and others in the same sphere of activity.

Association of Government Disbursing Officers

GEORGE W. EVANS, President

SCOTT NESBIT, Secretary-Treasurer

Address all communications to the Secretary-Treasurer, in care of Coast and Geodetic Survey, Department of Commerce and Labor, Washington, D. C.

OBJECT:

The object of this organization is to increase and better enjoy social relationship between the members and by mutual help or advise to improve the efficiency of the individual as a responsible officer of the United States Government.

MEMBERSHIP QUALIFICATIONS

Any bonded officer of the United States Government whose annual disbursements reach or exceed One Hundred Thousand Dollars is eligible to membership.

National Association of Comptrollers and Accounting Officers

Organized February 14, 1906

Office of the Secretary, 280 Broadway, N. Y., Rooms 155-157

OFFICERS, 1909-1910.

**Alonzo Tweedale, President, Auditor District of Columbia,
Washington, D. C.**

**Howard C. Beck, First Vice-President, Public Accountant,
Detroit, Mich.**

**Richard M. Chapman, Secretary, Certified Public Accountant,
Department of Finance, New York City.**

S. M. Wilhite, Treasurer, Comptroller, Louisville, Ky.

VICE-PRESIDENTS, 1909-1910.

Frederick W. Carey, Auditor, Sacramento, Cal.

William McK. Evans, Accountant, Richmond, Va.

W. S. McCormick, Comptroller, Duluth, Minn.

Harry B. Henderson, State Examiner, Cheyenne, Wyo.

C. O. Lobeck, Comptroller, Omaha, Neb.

Edward E. Phelps, Chief Accountant, Pittsburg, Pa.

Edward Stetson Griffing, Comptroller, New Rochelle, N. Y.

OBJECTS OF THE ASSOCIATION:

"The consideration of improved methods of public finance and the extension of the movement for the installation of a uniform system of State and municipal accounting and reporting throughout the United States, and the promotion of legislation towards these ends."

MEMBERSHIP QUALIFICATIONS.

"All comptrollers, auditors or other accounting or fiscal officers of cities, counties and States in the United States shall be eligible to membership in the Association. Accountants regularly engaged in State and municipal accounting shall also be eligible to membership."

"Each member shall be entitled to a copy of the bound volume of the proceedings of the annual or other conventions of the Association, and to all bulletins or other special publications issued by the Association for the information and benefit of its members."

The cost of membership in the Association is Ten Dollars per annum.

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It is the earnest wish of its officers that there may be enrolled as members the fiscal and accounting officers of all cities and States through the country. A large and representative membership would be a powerful factor in the shaping of legislation on municipal accounting and a great aid to the Government in its work of compiling municipal statistics, to say nothing of the benefits to individual members through the interchange of methods and experiences in handling problems of municipal finance.

By reason of the fact that all public fiscal and accounting officers are ex-officio eligible to membership, and their active support and cooperation in the objects of the Association is sufficient to identify them therewith, the formalities of admission which attach to close societies do not apply to this Association, which in all other respects is as fully organized as its purposes demand.

Inasmuch as its aims and efforts are directly in the line of official duty, it is a fair assumption that every accounting and fiscal officer whose heart is in his work and who feels an interest in the development of administrative and accounting efficiency will regard it as part of his official duty to ally himself with the movement and attend the annual conventions whenever circumstances permit of his doing so.

So many cities throughout the country are now on the eve of a radical revision of their accounting systems and procedure as to constitute almost a general movement in that direction. New York's present undertaking in this direction points to a line of endeavor which will eventually reach every municipal corporation of any magnitude, and while current discussions concerning the respective merits of time-honored methods and of the new expedients in course of evolution bring together conflicting schools of theory and practice, it would seem that the interest of every public accounting officer demands his presence at such deliberations as these annual conventions afford, to see and learn the history that is making, and to broaden his views upon matters that may soon come before him for judgment and determination, and possibly at an unexpected time.

Communications for admission should be addressed to the Secretary, and should state fully name and official title of applicant. Notices and programmes of all future conferences will be transmitted to each enrolled member about sixty days before the date set.

Accountants' Association of the Interstate Commerce Commission

Organized May 5, 1908

1311 G Street N. W., Washington, D. C.

OFFICERS AND COMMITTEES.

Elected at the annual meeting held April 12, 1909, to serve for one year.

OFFICERS.

Fred W. Sweney, President.
Russell H. Snead, Vice-President.
Arnold C. Hansen, Secretary.
Edward D. Myers, Assistant Secretary.
Walter V. Wilson, Treasurer.
Charles V. Burnside, Assistant Treasurer.

STANDING COMMITTEES.

Executive.

Clifton F. Balch, Chairman. George M. Curtis.
Walter E. Burleigh. W. C. Sanford.

Program.

David E. Brown, Chairman.
John Cruickshank. August G. Gutheim.
Gaston C. Hand. George S. Seymour.

Entertainment.

S. L. Lupton, Chairman.
Lewis A. Bell. William P. Bird.
C. V. Conover. Frank M. Swacker.

OBJECT:

The object of this Association shall be the discussion of topics of common interest, the promotion of efficiency and sociability among members and such other objects as may be approved by the Interstate Commerce Commission.

MEMBERSHIP:

The active membership of this Association shall be confined to Examiners, or other persons of a grade equivalent to Examiners, who are employed in the Bureau of Statistics and Accounts.

Any employee of the Interstate Commerce Commission may be elected to honorary membership.

The Following Leading Articles Have Appeared In "The Government Accountant"

(Back numbers may be obtained at ten (10) cents per copy)

MAY, 1907.

Jurisdiction of the Accounting Officers of the Treasury.

By Walter W. Warwick, LL. M., Chief Law Clerk in the Office of the Comptroller of the Treasury.

Relations which should Exist between Administrative and Accounting Officers.

By Robert S. Person, Auditor for the Interior Department.

Accounting from an Administrative Standpoint.

By F. H. Newell, Director, U. S. Reclamation Service.

The Accounting Offices—Their Proper Administration.

By Hon. William E. Andrews, Auditor for the Treasury Department.

JUNE, 1907.

Analytical and Statistical Bookkeeping.

By Dr. Le Grand Powers, Chief Statistician of the Census.

Cost Keeping.

By N. E. Webster, Jr., LL. M., C. P. A.

Foundry Costs.

By William Francis Russell, with Gunn, Richards & Co.

JULY, 1907.

The Law of Evidence Applied to Government Accounting.

By Judge B. F. Harrah, Law Clerk in the Office of the Comptroller of the Treasury.

Treasury Bookkeeping.

By Harry C. Lewis, Deputy Auditor of the Isthmian Canal Commission.

AUGUST, 1907.

The Interpretation and Construction of Statutes.

By Mr. N. H. Thompson, Law Clerk in the Office of the Comptroller of the Treasury.

Our National Treasury.

By Hon. W. E. Andrews, Auditor for the Treasury Department.

SEPTEMBER, 1907.

Assembling Checks and Vouchers and the Verification of Disbursing Officers' Balances.

By S. R. Jacobs, LL. M., Chief of Division, Office of the Auditor of the State and other Departments.

Rates of Interest Realized by Investors in United States Bonds.

By Mr. Theodore L. De Land, Chairman of the Finance Committee of the Association of American Government Accountants.

Standardizing Governmental Accounts.

By Le Grand Powers, Chief Statistician, Bureau of the Census.

OCTOBER, 1907.

The Law of Contracts.

By John Mason Brown, LL.B., Law Clerk in the Office of the Comptroller of the Treasury.

DECEMBER, 1907.

Government Supervision of Railway Accounts.

By Professor Henry C. Adams, in charge of Statistics and Accounts, Interstate Commerce Commission.

Advertising and Statutory Contracts.

By L. H. Mattingly, LL. M., Expert Accountant in the Office of the Comptroller of the Treasury.

Books on Accountancy and Business at the Public Library of the District of Columbia.

By George F. Bowerman, Librarian, Public Library, Washington, D. C.

JANUARY, 1908.

The Preparation of Suits for the Recovery of Balances Due to and from the United States.

By W. W. Scott, Law Clerk in the Office of the Auditor of the State and other Departments.

The Fee System of Compensating Public Officers.

By James F. Kilgore, Law Clerk in the Office of the Comptroller of the Treasury.

A National Clearing House Bank.

By Hon. Charles H. Treat, Treasurer of the United States.

FEBRUARY, 1908.

Traveling Expense Accounts.

By L. O. Robbins, L.L. M., Office of the Auditor for the State and other Departments.

Assignments of Claims Upon the United States.

By R. L. Golze, of the Philadelphia Bar, and Law Clerk in the Office of the Comptroller of the Treasury.

Uniform Municipal Accounting and Reporting.

By Clinton Rogers Woodruff, Secretary of the National Municipal League.

MARCH, 1908.

Publicity of Corporation Business.

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Editorial Comment--Association Notes

Official Announcements

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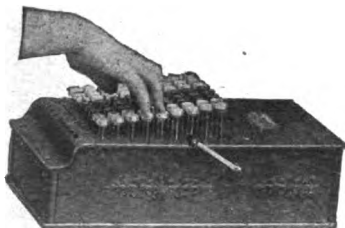
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NEW YORK, July 15, 1909.

To Municipal and State Comptrollers and Accounting Officers:

DEAR SIR: The following communication is one deserving your close attention and deliberate consideration, as it relates to matters identified with your official performance and the broadest possibilities that attach to your public functions.

The financial administration of municipalities, comprehending not only the laws of procedure and evidence but also the principles of accounting, the clarity of reporting, and the innumerable expedients for exercising control and realizing efficiency in the conduct of public office, are fast assuming the characteristics of a science, and call for organization to properly clear the growing mass of intelligence that is now being directed to this field of human endeavor.

The National Association of Comptrollers and Accounting Officers will hold its fifth annual Convention in New York in June, 1910, and it is the purpose to have as large and representative a gathering as a timely announcement and earnest invitation to join the Association will induce.

At the fourth annual Convention held last June in Detroit, Mich., the large number of cities represented and the highly interesting and serviceable nature of the information obtained—upon the subjects of taxes, budgets, funds, debt service, and other municipal problems—by all who attended so emphasized the value of such deliberations and the importance of having all of the principal cities of the United States join in realizing its advantages, that the constitution was amended to provide a greater permanency of organization by extending the membership to States, cities and counties, instead, as heretofore, constituting it one of individuals only, with the attendant necessity of re-establishing the relationship with every change in the personnel of officialdom.

It is for the purpose of inducing you to take the necessary measures to have the city of which you are the chief fiscal officer join this Association, constituting yourself and such of your deputies and auditors as you may delegate, and your and their successors in office, the representatives of your city at future conferences, in accordance with the outline of the purposes and procedure, that this communication is transmitted to you.

Yours truly,

RICHARD M. CHAPMAN, *Secretary.*

SPECIAL COMMUNICATION

To the Financial and Accounting Officers of
States and Municipalities.

The National Association of Comptrollers and Accounting Officers was organized at Washington, D. C., February 14, 1906, through the initiative of Hon. Samuel B. Williams, at that time City Comptroller of Rochester, N. Y., who issued a call for a meeting of fiscal officers of cities in connection with the conference of such officials called by the Bureau of the Census on the subject of uniform municipal accounting. A temporary organization was effected pending the adoption of the constitution and the election of officers thereunder.

The Association assembled in its first annual meeting at Chicago, September 26 and 27, 1906, at which time a permanent organization was formed and a constitution adopted.

CONSTITUTION, *As subsequently amended*

ARTICLE I.

This Association shall be known as the National Association of Comptrollers and Accounting Officers.

ARTICLE II.

The object of this Association shall be the consideration of improved methods of public finance and the extension of the movement for the installation of a uniform system of State and Municipal Accounting and Reporting throughout the United States, and the promotion of legislation towards these ends.

ARTICLE III.

There shall be eight divisions of the United States for the operations of this Association, to be known respectively as the New England, Eastern, Southeastern, Southern, Central, Northwestern, Mountain, and Pacific Sections, the territory in each of which shall be such as may be determined by the Association.

ARTICLE IV.

All Comptrollers, Auditors, or other accounting or fiscal officers of cities, counties and states in the United States, *or the cities, counties or states of which such individuals are officers*, shall be eligible to membership in this Association. Accountants regularly engaged in state and municipal accounting shall also be eligible to membership; members who may discontinue in public service may continue their membership if they desire.

ARTICLE V.

The officers of the Association shall consist of a President, eight Vice-Presidents, a Secretary, and a Treasurer, who shall be chosen at each annual conference. The duties of the officers shall be such as usually devolve upon such officers, the eight Vice-Presidents being chosen one from each section provided by Article III. It shall be the duty of the Vice-Presidents to actively further the work of the Association embraced within their sections, and to arrange for conferences from time to time of the membership therein; also to select one of their number who shall be called First Vice-President, and who shall, in the absence of the President, preside at meetings.

ARTICLE VI.

The dues for membership in the Association shall be Ten Dollars per annum, and no member in arrears shall be entitled to vote at the meetings of the Association.

ARTICLE VII.

Each member shall be entitled to a copy of the bound volume of the proceedings of the annual or other conventions of the Association, and to all bulletins or other special publications issued by the Association for the information and benefit of its members.

ARTICLE VIII.

All moneys received from dues or other sources shall be paid to the Secretary, who shall turn the same over to the Treasurer monthly, and no moneys shall be paid out of the treasury except upon the warrant of the Secretary drawn on the Treasurer and countersigned by the President.

ARTICLE IX.

The Secretary shall receive such salary as may be from time to time determined by the Executive Committee, which committee shall consist of the officers of the Association. The President shall have power to appoint from time to time such sub-committees as may be deemed expedient for the advancement and management of the Association.

ARTICLE X.

This Constitution may be altered or amended by a majority vote of the members present at any annual convention, provided that thirty days' notice of the amendment proposed shall have been given to each member.

All cities enrolling prior to the next Convention will pay the annual dues of Ten Dollars, as provided by the Constitution. Thereafter the annual dues will be charged according to population, and each city may send as many representatives as the magnitude of its organization and the range of its inquiry may suggest.

The following amendment to Article VI of the Constitution will be submitted for adoption either in modified form or as here proposed, viz:

PROPOSED AMENDMENT.

ARTICLE VI.

The annual dues for membership in the Association shall be as follows: States, counties, professional accountants, and ex-officials, Ten Dollars; cities with a population of ten thousand and under, Ten Dollars; cities with a population of over ten thousand and less than twenty-five thousand, Fifteen Dollars; cities with a population of over twenty-five thousand and less than fifty thousand, Twenty Dollars; cities with a population of over fifty thousand and less than one hundred thousand, Twenty-five Dollars; cities with a population of over one hundred thousand and less than two hundred thousand, Thirty Dollars; cities with a population of over two hundred thousand, Thirty-five Dollars. Members in arrears for dues shall not be entitled to vote at the meetings of the Association.

PRELIMINARY ARGUMENT.

So many cities throughout the country are now on the eve of a radical revision of their accounting systems and procedure as to constitute almost a general movement in that direction. New York's present undertaking in this direction points to a line of endeavor which will eventually reach every municipal corporation of any magnitude, and while current discussions concerning the respective merits of time-honored methods and of the new expedients in course of evolution bring together conflicting

schools of theory and practice, it would seem that the interest of every municipality demands the presence of its accounting officers at such deliberations as these annual conventions afford, to see and learn the history that is making, and to broaden their views upon matters that may soon come before them for judgment and determination, and possibly at an unexpected time.

The comptrollers, treasurers, auditors, accountants, and all fiscal officers upon whom devolves the designing, supervision or direction of the financial and accounting processes incident to the state, city and county governments are therefore cordially invited to become ex-officio members of this Association by taking the necessary measures to enroll their respective cities, and the presence of so many as are able to leave their official duties is urgently desired at the next conference, which will be held in New York, June 9, 10 and 11, 1910.

PRO FORMA ORDINANCE

to be passed by cities enrolling as members of the Association, signed by the Mayor, Common Council, Board of Aldermen, or whatever local body may be the constituted authority for the purpose of instituting such measure.

To the.....

(Legislature, Common Council, Board of
Aldermen, or Supervisors.)

The National Association of Comptrollers and Accounting Officers has for the past four years brought together at annual conventions the accounting and fiscal officers of cities, counties and States, to consider the improved methods of public finance and the promotion of legislation toward this end, and the extension of the movement for the installation of a uniform system of Municipal Accounting and Reporting throughout the United States, which purpose (largely aided by the Census Bureau at Washington through its special bureaus and the reports thereof) merits the hearty support and co-operation of every state, county and city.

The moderate expense consequent upon membership in said Association is amply justified by the benefit to be secured through the technical discussions consequent upon the bringing together at said annual conventions those most directly interested and familiar with the every day carrying on of the vitally important public fiscal responsibilities now more than ever the subject of popular scrutiny and discussion, and through the published proceedings thereof and the special bulletins uttered from time to time.

We, the undersigned, fully believing that a direct benefit will be derived from our (State, county, city or town) being represented in the National Association of Comptrollers and Accounting Officers, respectfully recommend the adoption of the following law, ordinance, or by-law.

.....
.....

Resolved, That (State, county, city or town) hereby becomes a member of said National Association of Comptrollers and Accounting Officers; that the Comptroller, Treasurer, Auditor, and all other accounting and fiscal officers of this City, and their successors in office, be hereby made eligible for enrollment in said Association as representatives of.....

..... (State, county, city or town) and that sufficient funds be annually appropriated or otherwise provided under proper authority to pay the dues required by said Association, and the necessary subsistence and travelling expenses of such of the City officials as may attend its annual Conventions from year to year.

A certified copy of this Resolution, when adopted or approved, together with the names of the officials delegated thereunder and membership dues of Ten Dollars, to be transmitted to the Secretary of the National Association of Comptrollers and Accounting Officers.

RICHARD M. CHAPMAN, C. P. A.,
Secretary.

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No. 3

Government Contracts

By GEORGE A. KING, Attorney at Law.

(An Address delivered before the Association of American Government Accountants.)

INTRODUCTORY.

It has often been laid down by the courts that the rules for the construction of Government contracts are in general the same as for contracts between individuals. Thus Chief Justice Waite, in an opinion delivered on an appeal from the Court of Claims, said:

"The United States, when they contract with their citizens, are controlled by the same laws that govern the citizen in that behalf. All obligations which would be implied against citizens under the same circumstances will be implied against them." (*United States v. Bostwick*, 94 U. S., 53, 66.)

So, too, in another case decided about the same time, the court said:

"In these cases, and many others that might be cited, the rules of law applicable to individuals were applied to the United States. Here the basis of the liability insisted upon is an implied contract by which they might well become bound in virtue of their corporate character. Their sovereignty is in no wise involved." (*United States v. State Bank*, 96 U. S., 30, 36.)

While these statements are undoubtedly true and the courts apply the general principles of contract law, so far as it is practicable to do so, to Government contracts, yet the circumstances surrounding such contracts are so different in many respects from those of private contracts, that a special set of rules has grown up for the construction of Government contracts.

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It is singular to what a small extent the provisions so largely found in Government contracts are required or even regulated by statute. There is very little statutory provision in regard to Government contracts beyond the general requirements for advertisement before letting, for bonds for the performance of contracts, against exceeding the appropriations applicable, against assignment of contracts, for eight hours' labor on certain contracts, and the like. The provisions so generally found in Government contracts are as various as the ingenuity or fancy of the officers drawing them could dictate.

Section 3744 of the Revised Statutes provides that contracts of the War, Navy and Interior Departments shall be in writing, but provides no particular form for the writing or specification of what its provisions shall be beyond the requirement that it shall be signed by the contracting parties with their names at the end thereof. The Supreme Court, many years ago, decided that this provision is mandatory, and that any contract which does not comply with its terms is void. (*Clark v. United States*, 95 U. S., 539; *South Boston Iron Company v. United States*, 118 U. S., 37). Where, however, the contractor has, in good faith, parted with his goods on the strength of an informal contract, he is entitled to be paid for them and the Government cannot plead the failure to put the contract in writing as required by this section, as against his claim for the value of the goods. (*United States v. Andrews*, 207 U. S., 229.)

INSPECTION BY ENGINEER.

A provision found in almost every contract with the Government for the construction of any engineering work of importance, of any large building, or the furnishing of supplies to any extent, is one conferring upon the engineer, the architect, or the inspecting officer, as the case may be, certain very large powers involving generally the determination of the quality and quantity of the work.

The object of these provisions is to secure work that will be thoroughly satisfactory to the department of the Government for which it is done and to secure the submission of questions of a technical character to a Government specialist rather than to a court or a jury. Of course, such an officer, in case of doubt, leans to the side of the Government.

These provisions are often stigmatized as harsh and unjust to contractors. Sometimes they are so. At the same time, it cannot be denied, on looking over the vast field of engineering and architectural contract work in this country and in England, as done not only for governments, but for railroad and other corporations, as well as for private individuals, that

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provisions of this general tenor are well-nigh universal. Probably no engineering or construction work of any magnitude would today be let without provisions in the contract insuring the performance of the work to the satisfaction of certain designated officers to be appointed by the owner of the works. Hence there is abundant precedent for the provisions so universally found in Government construction contracts for public buildings, for river and harbor improvement, for naval dry docks, for hydraulic works of the Reclamation Service, which give the engineer of all these works power to reject materials and workmanship not judged satisfactory, and requiring the entire contract to be carried out under his general supervision, and in a way to meet his requirements.

On the other hand, it must be remembered that the engineer or architect is not an arbitrator or judge in the proper sense of the term. He is appointed avowedly because he is the officer of one of the parties to the contract and for the purpose of acting as the agent of that party. He represents the Government throughout. For that reason, any attempt to push his powers beyond a reasonable limit of supervision in inspecting materials, measuring quantities and examining the work for acceptance or rejection, is justly regarded as an encroachment on the functions of the courts and investing the engineer with judicial powers, which cannot be done under our system of government.

As has been well stated by the Court of Claims, in a carefully considered case:

"If the engineer officer proceeded upon a wrong interpretation of the contract or excluded from his calculations a factor of which the contractors were entitled to the benefit, the court will grant relief, notwithstanding the provision that the decision of the engineer officer shall be final. The provision in the contract that 'the decision of the engineer officer in charge as to quality and quantity shall be final,' refers only to his measurement in point of fact and not to the principle of law on which it is made, as it is the province of the court to determine the law of the contract," (*Collins v. United States*, 34 C. Cls., 294, 332).

Or, as stated by the Court of Appeals of this District:

"The general or usual powers of an architect are not, by any means, of an unlimited character. Building contracts generally make the architect the agent of the owner in the matter of deciding whether the work done is according to the requirements of the drawings and specifications. But, apart from an agreement to that effect, an architect is not the general agent of the owner, and has no power to change plans of the work, and especially not to the detriment of the contractor. He cannot change the terms of the contract, and either omit or

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insert provisions that the parties have not agreed to, unless specially authorized by the parties. The terms of the contract, that the contractor, under the direction and to the satisfaction of the architects, will provide all the materials and perform all the work mentioned in the specifications and drawings, made by the architects, and made parts of the contract, only mean such supervision and direction, looking to the execution and completion of the work according to plans and specifications, as may be proper to be given to effect that end. Such provision makes it the duty of the architect to see that the contract is complied with, not violated." (*Fontano v. Robbins*, 22 Appeals D. C., 253, 266, 267).

It has always been recognized as a part of the ethics of the professions of engineering and architecture that, notwithstanding the engineer or the architect is employed and paid by one of the parties to the contract, he shall not act unfairly in withholding a certificate as to completion of work from a contractor in order to save the owner of the work, his employer, from payment for work actually done, for which, under the terms of the contract, he ought to pay. So long as engineers and architects maintain the highest standards of their professions, in making conscientious examinations of work done under contracts, their action ought to be upheld. Of course there are cases where officers of the Government, in an excess of zeal for its interests, unreasonably reject materials and work which they ought to accept, and require more than the contract has obligated the contractors to do. The courts are frequently called upon to correct the mistakes of engineers or architects in this respect. This they are loath to do unless there has been such a marked departure from any reasonable standard of decision as to lead the courts to say that their action has amounted to more than the mere exercise of powers under the contract and has actually gone outside of the contract and added other and more rigid requirements to those imposed by the contract. To set aside the action of the officer appointed by the contract itself to inspect and pass upon materials and workmanship is a high exercise of judicial power and is only done where the engineer or inspecting officer has clearly acted unreasonably and in excess of his powers. In Treasury accounting, of course, it would not be safe to ignore the action of the engineer or architect where he exercised a power which the letter of the contract seems to confer upon him. In actual Treasury practice we sometimes find actions of the inspecting officers sustained in cases so extreme that we may well suppose it probable that a judicial tribunal would ignore the engineer's action as unreasonable and decide the controversy in favor of the contractor (14 Compt. Dec. 452), and where we might suppose that the Treasury officers themselves would refuse to follow the action of the administrative department if they deemed themselves authorized by law so to do.

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BONDS FOR PERFORMANCE OF CONTRACT.

It has been for many years, perhaps almost since the time any contracts of importance began to be made by the Government, the invariable custom to take a bond with sufficient sureties to guarantee the faithful performance of the contract. Curiously enough, there has not been until within the last few years any statute requiring such bonds or providing what their conditions shall be. This was first made the subject of statutory regulation by the act of August 13, 1894, 28 Stat. L., 278, which provided that in addition to the obligation for the benefit of the United States that the contractor should perform the work, the bond should also contain the condition that the contractor should make prompt payments to all persons supplying him with labor and materials in the prosecution of the work provided for in the contract and that such laborers and material men might maintain an action on the bond if their labor or materials were not paid for. So vague and indefinite were the terms of this act that it has given rise to a remarkably large number of reported cases considering the short time that it has been in force. An amendatory act, passed February 24, 1905, 33 Stat. L. 811, provides that but one suit shall be brought on the bond of a contractor, and that one in the United States Circuit Court in the district in which the contract was to be performed, and that all others who are interested in the bond shall come in and be made parties, and that no such suit shall be commenced until the complete performance and final settlement of the contract, and then within one year thereafter.

Under the act of 1894 it was decided that by the passage of the act Congress waived the priority of payment secured to the Government over all other creditors by Section 3466 of the Revised Statutes, and admitted laborers and material men to share in the distribution of the amount on an equal footing with the Government. (*American Surety Company v. Lawrenceville Cement Company*, 96 Federal Reporter, 25; *United States v. Heaton*, 128 Federal Reporter, 414). The act of 1905, on the contrary, expressly asserts the priority of the Government over laborers and material men, thus depriving them of all benefit of their security in the very contingency in which they most need it, that of the failure of the contractor, through financial embarrassment, to complete his contract.

The new act still leaves many questions open, as, for instance, when, if at all, the suit can be brought in cases in which the contract, instead of being performed, is abandoned or broken by the contractors, as well as in what judicial district the suit shall be brought where the contract is to be performed in two different districts, not an uncommon case where a work of river improvement, such as a lock and dam, is con-

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structed across a river, the banks of which lie in different States; or in the also not uncommon case of two or more locks and dams, at some distance from each other on the same river, being provided for by one contract.

Independently of this statute, it has been held that when a contractor defaults on his contract, the Government may allow the surety, instead of paying the penalty of the bond, to undertake and complete the performance of the contract. Where the surety does so, he succeeds to all the rights of the original contractor and may maintain a suit in his own name against the Government for the payment of anything remaining due on the contract, even though the amount so sued for may have been earned by the original contractor at a time before the surety company took charge of the work. (*Prairie State Bank v. United States*, 164 U. S., 227).

PARTIAL PAYMENTS.

No provisions are more essential to secure to the Government the benefit of competition among contractors than those requiring partial payments to be made either at designated stages of the work, as by the time a building shall have reached a specified height, or as is more commonly the case, especially in the larger works, at the end of each month. These stipulations generally are that the Government will pay at the end of each month the value of the work done during the preceding month, less a certain percentage varying from 10 to 20 per cent, retained as security for complete performance. Often also it is provided that materials brought onto the ground and not yet worked into the structure shall be paid for in whole or in part, under the same conditions. These provisions are essential to enable contractors to conduct the work on an economical basis, as few contractors have sufficient capital to enable them to carry a work of any great magnitude to completion without receiving any money before the entire job is completed and accepted. The Government, too, undoubtedly saves money by inserting these provisions in the contract and strictly adhering to them. Without them, bidding would not only be restricted to contractors of enormous capital, but any bidder would have to include in his proposal an estimate for a very large interest charge which he would have to bear in putting such a large amount of capital into the work without getting it out until his entire job was completed.

Where, as is sometimes the case, the Government fails strictly to comply with these provisions for partial payments, the work is very apt to languish and to be inefficiently proceeded with. The Supreme Court has laid down pretty strictly the obligations of owners of works to meet these monthly or other periodical payments. In a case in which a

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canal company failed to pay the monthly estimate at the end of the month of May, a contractor was held to be entirely justified in declaring the contract at an end on the 7th of June, and they sustained a suit brought by him to recover payment for all the work done up to the date of abandonment. They said:

“We think the fault of the rupture lies wholly with the company. Gordon & Kinyon adhered to the contract, and pursued the work longer than they were bound to do. When they retired they were fully justified, and had a clear equity to be paid a fair compensation for the work they had performed.” (*Canal Company v. Gordon*, 6 Wall 561, 569.)

The Court of Claims applied the principle thus laid down to a Government contract and gave judgment for a contractor who refused to proceed on the failure of the Government to meet the stipulated monthly payment. (*Pidgeon v. United States*, 27 C. Cls., 167).

PENALTIES FOR NON-COMPLETION IN TIME.

Provisions are almost uniformly inserted in Government contracts providing for completion of the work by a stipulated date, and that in default thereof the contractor shall pay damages at a certain rate per day, week, or month. This is one of the instances alluded to at the opening of this paper in which one would naturally expect to find some statutory provision regulating such an important subject. None was, however, made until 1902, and then only as to public buildings or works under the control of the Treasury Department, (Omnibus Public Buildings Act, June 6, 1902, Section 21, 32 Stat. L., 326):

“That in all contracts entered into with the United States, after the date of the approval of this Act, for the construction or repair of any public building or public work under the control of the Treasury Department, a stipulation shall be inserted for liquidated damages for delay; and the Secretary of the Treasury is hereby authorized and empowered to remit the whole or any part of such damages as in his discretion may be just and equitable; and in all suits hereafter commenced on any such contracts, or on any bond given in connection therewith, it shall not be necessary for the United States, whether plaintiff or defendant, to prove actual or specific damages sustained by the Government by reason of delays, but such stipulation for liquidated damages shall be conclusive and binding upon all parties.”

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To take a typical example from a recent contract for the construction of a building for the army for a total contract price of about \$60,000:

"The time of completion of the work being an essential element and consideration of this contract, it is further agreed that in case of the failure of the party of the second part to complete in all respects the work called for under this contract on or before the date stipulated for such completion, the loss resulting to the United States from such failure, as liquidated, ascertained and fixed damages, is hereby fixed at twenty (20) dollars for each and every day that the work on the building remains uncompleted after such date, and it is hereby stipulated that the party of the first part may withhold such amount as liquidated damages from any money due the party of the second part from the United States, and should the amount due the said party of the second part be insufficient to cover the loss at the above rate, then the party of the second part shall pay the excess of such damages over the amount due; provided that delays caused by quarantine restriction, storms, floods, or other violence of the elements may, upon the recommendation of the proper officer, and approval by the Quartermaster-General, be excluded in determining the amount of said damages." (*Ittner v. United States*, 43 C. Cls.)

The courts were at one time inclined to put a construction upon clauses like this holding them to be in the nature of penalties, that is, as stated by a recent able English author, "that the sum so named shall be available so that out of it shall be recovered such a sum as shall be compensation for the damages actually sustained through the breach of the obligation whose fulfillment the provision was intended to insure." (Gregory, the Engineer or Architect as the Arbitrator, p. 168).

At the present time the inclination of the courts is to treat a provision like this as providing for liquidated damages, that is for the payment of the amount absolutely, and at all events, without regard to the actual damage sustained by the Government, or even without regard to whether it sustained any damage at all. (*United States v. Bethlehem Steel Company*, 205 U. S., 105). This, however, is very far from settling the question in all cases. The Government can only take advantage of this provision for liquidated damages when it has not itself done any act to hinder or delay the performance of the work. So many circumstances are constantly arising in the performance of Government contracts which make it convenient for the Government to change the work or to suspend it for a time that it is often a most delicate question

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whether the Government has not forfeited, by its own act, the power to impose the liquidated damages called for by the contract. This question may arise even at the inception of the contract. Most contracts require the contractor to begin at a certain time, but also provide that the contract shall not go into effect until approved by a designated officer, usually the chief of the bureau, sometimes of the department, under which the work is done. This officer very often, in the press of work incident to the transaction of the business of a great office, fails to affix his approval to the contract and to notify the contractor thereof, until after the day for the commencement of work under the contract has passed. Such delay is fatal to the power to impose penalties or liquidated damages for non-performance of the contract within the stipulated period. To quote a recent decision of the Court of Claims:

"The findings disclose that the contract in suit, although expressly requiring claimant company to commence delivery of undershirts on September 23, 1898, was not approved by the Quartermaster-General of the Army until September 28, 1898; i. e., five days after the delivery should have commenced. A contract containing a clause which makes its final execution dependent upon the approval of the head of a department, or some supervising official of the Government, is not a binding obligation until such approval is had. (*Monroe v. United States*, 184 U. S., 524).

"The failure of the Quartermaster-General to approve the contract as above set forth operated as a waiver of the time limit stipulated therein and charged the claimant company with a performance of its obligation within a reasonable time subsequent to said approval." (*Little Falls Knitting Mill Company*, page 11 of opinion, 44 Ct. Cls.).

Alterations or extras are also a fruitful source of delay. Contracts are often made which could be completed by the contractor within the stipulated time, but the contractor is unable to make alterations required by the authorities of the Government within that time. The courts have held in a number of cases that even though a contract may in terms provide that alterations may be ordered by the owner of the work and may in another clause provide for the payment of damages by the contractor if he fails to complete in time, yet it would be inequitable and unjust to permit the owner to take advantage of the time penalty clause after ordering changes which have the necessary effect of lengthening the time for the construction of the works. The English Court of Appeal, in 1897, laid down this principle in these terse words:

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"If the building owner has ordered extra work beyond that specified by the original contract which has necessarily increased the time requisite for finishing the work, he is thereby disentitled to claim the penalties for non-completion provided for by the contract. The reason for that rule is that otherwise a most unreasonable burden would be imposed on the contractor." (*Dodd v. Churton*, 1897, 1 Queen's Bench, 562, 565).

The Supreme Court of Pennsylvania has ruled to the same effect, stating the ground of its ruling in the following language:

"Alterations calling for more work and materials, or work and materials of a different class, might of necessity require more time for the completion of the building. They might be directed so near the end of the work as to make it impossible to complete the building within the time stipulated." (*Lilly v. Person*, 168 Pa. St. 219, 232, 233).

So, too, the Supreme Court of the United States has said in language alike of justice and of common sense:

"We cannot believe that there would be any hesitation in holding an individual liable who, after making such a contract as was made in this instance, and requesting such alterations for his own benefit, and who, while aware of the increased time necessary, and that the other party was in good faith and with reasonable diligence performing the work, should say, 'I will not receive or pay for the work done, because it was not done within the time first stipulated.'

"There is no reason why the parties should not modify the contract by a change in the character of the weapon and time of delivery; and if it was well known to both that the change in the weapon required a longer time, as the court finds it was, it must be implied that both parties consented to such an extension of time as was necessary or reasonable for the completion of the contract. (*Manufacturing Company v. United States*, 17 Wall., 592, 595.)

ACCEPTANCE OF PART PAYMENT.

As a general rule, the acceptance by a contractor of partial payments on a contract as his work progresses constitutes no bar to a subsequent claim on his part that more ought to be allowed him. Of course the partial estimates may be binding on the contractor by virtue of some provision in the contract

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making the engineer's estimates the sole standard of ascertainment of the quantity as well as the quality of work done, as well as of the amount of money due, in which event they will be binding on the contractor whether he accepts the partial estimates as the work goes on or protests against them. There is nothing, however, in the mere fact of acceptance of payment, even without protest, which binds the contractor to refrain from claiming that more is due. Even a final payment under a contract does not constitute a bar to a subsequent claim for more, where no new consideration is given and received. In an able opinion by the late Chief Justice Waite, it was said:

"The United States hired for a year absolutely, at the agreed rent of \$500 a month, and occupied during the whole of that term. They therefore, by their agreement, were expressly bound to pay rent at that rate for the whole of the year. This they have paid in full to June 30, but after that, until the end of the year, August 23, 1862, their payments have been only at the rate of \$250 a month. Payment by a debtor of a part of his debt is not a satisfaction of the whole, except it be made and accepted upon some new consideration. It is not found that there was any new consideration in this case. All that appears is, that an account was made out for the rent from July 1 to September 30, at the new rate and that this account was received by Mr. Lovett after payment. Upon this finding, therefore, in the absence of anything more, showing that the reduction in the rent of the first year was part of the agreement to continue the lease beyond the year upon new terms, the petitioner will be entitled to judgment for rent at the rate of \$250 a month from June 30 to August 23, 1862, that being the balance remaining after deducting payments made." (*United States v. Bostwick*, 94 U. S., 53, 66, 67.)

In pursuance of this ruling, the present Comptroller of the Treasury in 1899 gave an advance opinion upon the propriety of making payment of an amount which the contractor contended was insufficient, he giving notice that it was his intention to assert a claim for more. The Comptroller said on this point:

"Mr. Chamberlin contends that the deduction of \$1,101.49 is improper, and I understand it to be his intention to have this matter presented to the Auditor for the War Department for final settlement. In this Mr. Chamberlin is clearly within his legal rights, and the Government has no authority to require him to accept what is conceded to be his due as in full for the amount claimed by him. In attaching this condition to the receipt he is clearly within his legal rights; therefore, you are author-

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ized to make payment on the vouchers, notwithstanding this reservation, provided said papers are otherwise correct." (Comp. Dec., case of *Edward K. Chamberlin*, November 29, 1899.)

This decision should be written in letters of gold over the desks of all who have anything to do with the settlement of accounts under contracts. Its faithful observance will go a long way towards sustaining the confidence of contractors dealing with the Government in the justice and good faith of the treatment which they will receive in the adjustment of their rights under their contracts.

GENERAL REMARKS.

In the drafting of specifications and contracts for the Government, it is not always borne clearly in mind that while it is of the utmost importance to insert provisions which will guard the Government against acceptance of poor materials or defective workmanship and will insure the completion of the work within the shortest practicable time, yet when the Government goes beyond these requirements and inserts provisions in contracts which are either unreasonable or impracticable, it is bound in some form or other, sooner or later, to have to pay for restrictions unreasonably imposed.

There occurred within my own knowledge a case in which the Government suffered great disadvantage by inserting in the specifications an impossible time limit. An engineering firm of great ability and of financial resources sufficient to carry out almost any contract let by the Government, knowing that the work could not possibly be completed within the advertised time limit, simply computed the fair price for the work and then bid that sum plus the time penalty to the date at which they believed the work could be completed. They were underbidden, however, by another contractor of less financial resources, but who did not take the time limit into consideration. The work was awarded to the latter as the lower bidder. He failed to complete it within the stipulated time and was thrown into bankruptcy, not only with loss to himself, but with great inconvenience to the Government, with probably in the end an added expense. Here is a case where a more reasonable time limit would have worked to the advantage of the Government as regards both cost of the work and time of completion.

Another clause sometimes inserted in Government contracts of a very few bureaus, requires a contractor to give a full release of all claims arising by virtue of his contract before he can receive the final payment due on the contract. A contractor is, by such a provision, required to give up all disputed items before he can receive payment of what is clearly due him. The unfairness of such a provision is manifest. If the officer comes with a check in one hand and a release in the

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other, he can sometimes compel a settlement with a contractor whose necessities do not permit him to await the result of a contest, while a contractor of larger means can afford to be independent and bring the disputed questions to a trial and await the receipt of his retained percentage until the disputed questions have been settled. Here, as always, the Government will in the end have to pay for inserting a harsh provision which accomplishes no substantial good to the Government, while working great hardship to contractors. Bureaus which gain a reputation for cutting off contractors from all judicial redress by extorting a release from them before paying that which is clearly their due are bound to have to pay higher prices on account of the insertion of such illiberal provisions in their contracts.

Contractors, in bidding, always take into consideration the character of the inspection which experience has shown they are likely to receive from the department or bureau with which they are dealing. In this way, some of the bureaus and offices of the Government have established an enviable reputation with contractors for the intelligence and fairness of their inspection, so that contracts with them are eagerly sought. Where contractors apprehend that the requirements will go beyond the exaction of a fair and reasonable standard for excellence of workmanship and materials and promptness in execution, their bid on the work must necessarily be high enough to protect them against the apprehended delays and vexations which they sometimes encounter through requirements being made which go beyond the fair meaning of the contract and specifications. If the Government, in such cases, does not have to pay the individual contractor with whom it is dealing for the unreasonable requirements, it is pretty sure ultimately to have to pay for such requirements in scaring off from bidding contractors whom it would be desirable to secure. A reputation for just dealing with contractors is as valuable to a bureau of the Government as it is to an individual or corporate employer of contractors.

CONCLUSION.

Thus we have seen that while the general rules for the construction of Government contracts are the same as for contracts with individuals, there are yet certain requirements of law or provision necessitated by the circumstances under which Government work is done, which have led to a special set of rules growing up for the interpretation and settlement of Government contracts.

These rules have gradually grown up through decisions of the comptroller and other officers of the Government, and through the action of the courts. A just observance of them by those who are concerned in the settlement of Government contracts, will tend to eliminate all complaint from the side of either of the parties to a Government contract.

Naval Accounting

BY CHARLES CONRAD, Paymaster, U. S. N.

(An Address delivered before the Association of American Government Accountants.)

There were expended, on account of the Naval Establishment, during the fiscal year 1908, 117 million dollars, in round numbers. It is my purpose to describe briefly the methods by which this vast sum was withdrawn from the Treasury of the United States and the purposes to which it was applied.

In the first place, the figure just mentioned does not represent the amount appropriated by Congress for the maintenance of the Navy for the year 1908, but does represent the cost of the Navy during that period. The amount actually appropriated was slightly more than 108 million dollars, which includes all deficiency acts, etc. But there were on hand about 49 million dollars, balances of continuous appropriations made in former years, most of which had been obligated, but not expended, when the fiscal year under consideration commenced.

As you are all familiar with the Governmental system of making appropriations—the preceding estimates, the scrutinizing, the pruning, the changing of amounts, etc.—it is not necessary to go into that. It is sufficient to say that when the appropriation bills were finally passed, the Naval Establishment was credited on the books of the Treasury with the 108 millions just appropriated, in addition to the 49 millions already there. The accounting officers of the Navy were thereupon charged with the duty of recording the receipts and expenditures of 177 new appropriations, in addition to approximately 200 already on the books. For, with the exception of the continuous appropriations, each one must be kept distinct from the other appropriations of the same name, but pertaining to each of the two prior fiscal years. As many of these appropriations are divided into numerous subheads, each of which must be handled practically as a separate appropriation, a nice little problem in accounting is furnished right at the start, particularly as in a great many instances any expenditure may be made from any one of several appropriations, all depending upon circumstances surrounding each case. However, this is a minor trouble in comparison to what we are coming to.

The Navy Department, like other departments of the Government, has long been under the necessity of drawing money from the Treasury (to cover proposed expenditures), chargeable at the time of withdrawal to the appropriations

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concerned. Thus a disbursing officer who contemplated making payments from 100 different appropriations in the near future, asked for and received the money under 100 different accounts. Each sum so received was kept entirely distinct from every other sum. And should it happen that a creditor appeared asking payment of a bill under a 101st appropriation, the fact that money was on hand under 100 appropriations wouldn't cover a payment under the 101st, for which a requisition must be drawn and the money obtained before the bill could be liquidated. All this time there was in existence a statute reading as follows:

CHAP. 312.—An act authorizing a general account of advances for naval appropriations.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Navy be, and he is hereby, authorized to issue his requisitions for advances to disbursing officers and agents of the Navy under a "General account of advances," not to exceed the total appropriation for the Navy, the amount so advanced to be exclusively used to pay current obligations upon proper vouchers, and that "Pay of the Navy" shall hereafter be used only for its legitimate purpose, as provided by law.

Sec. 2. That the amount so advanced be charged to the proper appropriations, and returned to "General account of advance" by pay and counter warrant; the said charge, however, to particular appropriations, shall be limited to the amount appropriated to each.

Sec. 3. That the Fourth Auditor shall declare the sums due from the several special appropriations upon complete vouchers, as heretofore, according to law; and he shall adjust the said liabilities with the "General account of advances."

Approved June 19, 1878.

This act had been passed in order to permit the placing in the hands of pay officers aboard ship funds available for every and any purpose, as it was clearly recognized that such an officer could not possibly submit requisitions for money for every class of expenditure he might be called upon to make, especially when the ship was on foreign station. About two years ago we took up the question of drawing all our funds in this manner, and I am happy to say that such action was authorized by the Secretary of the Treasury. Commencing with the fiscal year 1908, all money for the Navy and Marine Corps was drawn out under General Account of Advances. The result has been that all disbursing officers have each a

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single account with the Government. Moreover, each has placed to his credit the minimum sum necessary to meet all expenditures as they arise. Such expenditures are reported daily by the large offices and less frequently by the smaller ones, and requisitions are drawn on the Treasury to cover expenditures already made. The proper appropriations are finally charged with the expenditures on the basis of the disbursing officer's returns, after audit in the Treasury. This makes a most flexible system, prevents undue accumulation of balances by disbursing officers, and simplifies the methods of requisitions, etc.

So much for the method of receiving money. We will now take up the question of accounting for the expenditures.

The Navy Regulations, under "Accounts and Returns," provide that "all final expenditures of money and material for the Naval Establishment shall be appropriately charged under the general heads of (1) Ships, (2) Shore Stations, (3) Contingent Sundries." For this purpose the following "titles," or charge accounts, have been devised:

Title A—Hull and Permanent Fittings;

Title B—Equipage of Ships (meaning movable property, such as battery, anchors, chains, tools, etc.;

Title C—Cost of Commission. This account includes all running expenses of ships, including pay, subsistence of crew, stores used, etc.;

Title D—Repairs to Ships;

Title P—Repairs to Equipage of Ships in Commission.

Title P was an afterthought and was added several years ago for the following reason: Ordinarily, repairs to ship property are made only after the articles have been invoiced ashore, surveyed, and appraised. The appraisal is made with an eye to the probable cost of repairs, such cost being added to the book valuation. Frequently it was necessary to repair articles which were still on the books of the ship, and which had consequently never suffered a drop in price through appraisal. But the cost of repairs, for want of another method, was still added to the value of the articles, with the result that the more often an article was repaired the more valuable it became. So Title "P" was invented and now absorbs all the repairs made to equipage still borne on the ship's books.

These five titles cover all ship charges. Next come—

Title E—Real Estate and Chattels of shore plants. All expenditures on account of first cost for land, buildings, docks, etc., and improvements to the same, are charged to this title.

Title F—Machinery Plant. This is similar to Title E, but covers machinery only.

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Title G—General Maintenance. This is the general expense account of the Navy, and to it are charged *all* maintenance and repair expenditures and running expenses of *all* kinds. We shall devote our particular attention to this account later.

We next come to the “Contingent Sundries.” They are:

Title H—Pay of Officers and Enlisted Men retired, or for other reasons not on duty;

Title I—Officers on special duty;

Title K—Coast and Geodetic Survey;

Title L—Lighthouse Establishment;

Title M—Bureau of Fisheries;

Title N—Models and Experiments;

Title O—Naval Militia;

Title V—Miscellaneous. The biggest item here is the wages of men on leave and legal holidays;

Title W—Deterioration and Waste. All loss reported by surveys, condemned articles, etc., are charged to this account.

This finishes “Contingent Sundries.” We have, in addition, however, temporary charge titles, which are:

Title X—Supplies in Store;

Title Y—Supplies Afloat;

Title Z—Manufacture and Repair Account. To this latter title are charged all labor and material utilized in manufacturing and repairing, including the cost of the articles under repair. And to it are credited the finished articles manufactured or repaired.

The above outline gives generally the grand divisions to which all our expenditures are located. For several years we have gone along making our charges as indicated, with no thought or suspicion that all was not just as it should be. The first rude shock came about two and a half years ago, when Congress began to question some of the estimates made for the then pending appropriation bill, and asked to be informed how much of each appropriation had been expended the year before under each of its subheads. It should be explained that the general accounts of the Navy had shown all expenditures lumped together for *all* appropriations, as far as objects, etc., were concerned, although, of course, the *total* expenditures under each appropriation were separately recorded. Under the then existing methods of accounting the Naval Es-

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tablishment, as far as analysis of expenditures was concerned, was treated as a unit. The act of June 20, 1890, provides that "All supplies purchased with moneys appropriated for the Naval Service shall be deemed to be purchased for the Navy, and not for any Bureau thereof; and these supplies, together with all supplies on hand, shall be arranged, classified, consolidated, and catalogued, and issued for consumption or use under such regulations as the Secretary may prescribe, without regard to the Bureau for which they were purchased." Consequently, the Bureau of Supplies and Accounts had not considered itself called upon to maintain a record of the expenditures of material, according to appropriations and the subheads thereof, and therefore other expenditures, not of material, had likewise been consolidated. All this was now changed. It became necessary to revise the entire system of accounting, so that each appropriation might be handled exactly as though it were the only appropriation for the naval service. And as there are over 300 of them to be so handled, it can be seen at once that a problem of some little interest had been presented. Add to this the fact that many of these appropriations are made up of sections which, quoting from a letter from the Paymaster General on this subject, "are not, in fact, subheads at all, but mere definite clauses in general terms included in the verbiage of these acts from time to time merely to indicate the character and general line of purposes to which the appropriations may be severally applied." In fact, there are few, if any, annual appropriations divided into clauses in which the clauses are not so interwoven as to nullify any attempt to compile a statement showing expenditures under each one of them. An illustration will be found in the appropriation "Construction and Repair," reading as follows:

(1) For preservation and completion of vessels on the stocks and in ordinary; (2) purchase of materials and stores of all kinds; (3) steam steerers, pneumatic steerers, steam capstans, steam windlasses, and all other auxiliaries; (4) labor in navy yards and on foreign stations; (5) purchase of machinery and tools for use in shops; (6) carrying on work of experimental model tank; (7) designing naval vessels; (8) construction and repair of yard craft, lighters and barges; (9) wear, tear and repair of vessels afloat; (10) general care, increase and protection of the Navy in line of C. & R.; (11) incidental expenses for vessels and navy yards, inspectors' offices and bureaus, such as advertising, foreign postage, telegrams, telephone service, photographing, books, professional magazines, plans, stationery and instruments for drafting room.

It will be noticed that this appropriation is divided by

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semi-colons into eleven clauses (erroneously spoken of as "sub-heads"). A single glance develops the fact that every expenditure possible under this appropriation is fully covered by the tenth clause alone; that the same is entirely covered by clauses two and four; also, and again, by clauses one, three, four, five and eleven; while all clauses are interwoven with others.

It appears clear, therefore, that if the Congress and the Secretary desire information as to expenditures under "sub-heads" of appropriation, the first requisite is the creation of suitable and ACTUAL "subheads" which shall not conflict one with the other.

In order to meet the conditions presented, an effort was made to arrange a system of charge heads which consisted of various sections of the appropriations, under the idea that each such section covered a particular class of expenditures. When it came to applying this principle to the work of the industrial navy yards, it was immediately seen that the plan was impracticable, since, as has been stated above, the verbiage of the appropriation could not possibly be subdivided into the elements necessary to properly represent the work at industrial yards.

In order to solve this problem a set of charge "general heads" was instituted, which divided the main expenditures on a more or less reasonable plan. These heads are as follows:

TITLE "A" (ORIGINAL CONSTRUCTION).

Hull and fittings.	Standing rigging.
Permanent ordnance fittings.	Electric plant.
Engines.	Interior communications.
Boilers.	Wireless telegraphy.
Auxiliary machinery.	Miscellaneous.

TITLE "D" (REPAIRS TO SHIPS).

Expenditures under Title "D" must be located separately under "Wear and Maintenance," "Changes and Additions," or "Casualties" for each of the general heads stated under Title "A."

This makes thirty charge heads for repairs to ships. Each such expenditure must first be located under one of the three divisions specified, which indicates the reason for doing the work. Of course, it is sometimes difficult to decide whether a given lot of repairs is chargeable to Wear and Maintenance" or "Changes and Additions." It is easier to decide about "Casualties." But individual errors in judgment will usually

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tend to offset each other, and the final summation should indicate pretty clearly the general character of the work. Then again, having decided under which of the three divisions the repair work belongs, it is often difficult to decide just which of the heads to charge it to. Thus, in securing a gun-mount to the deck, it might necessary to do considerable work on the hull. Should this work be charged to "Hull and Fittings," or to "Permanent Ordnance Fittings?" Again the system of general averages has to be depended upon.

TITLE "E" (REAL ESTATE AND CHATTELS.)

Land.	Furniture.
Buildings.	Dry docks.
Quay walls and piers.	Fire apparatus.
Yard appliances.	Telephone, telegraph, and tube systems.
Yard craft.	Vehicles and live stock.
Quarters.	Miscellaneous.

TITLE "F" (MACHINERY PLANT.)

Power plant.	Machinery plant.
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TITLE "G" (GENERAL MAINTENANCE).

Repairs and maintenance of each general head under "E" and "F."	Hand tools and repairs for same.
Office force and officers' pay at stations.	Handling stores.
Heat, light, fuel and water.	Miscellaneous.
	Care and preservation (subtitle, name of ship).

Bearing in mind that many of the naval appropriations are available for similar, and in some cases the same objects, it will be seen that the expenditures of any one of them divided amongst the heads stated above, will in many cases parallel expenditures from another. Thus we were able at the end of the fiscal year to prepare tabulated statements in which general heads to which charges had been made, headed columns across the page, and the appropriations under which expenditures had been made were listed under one or the other, and any one appropriation was, therefore, subdivided, as far as its application to the industrial navy yards was concerned, amongst the various titles and general heads. A certain part of each appropriation was, however, expended without reference to the navy yards, in payment of public vouchers. It was possible to locate all of these payments directly to particular sections

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of the appropriations in each case, since one naturally thinks of the appropriations under which payment is made and the part of it covering the payment before the disbursement is authorized.

As a result of this system each appropriation was accounted for in two sections—one through expenditures of labor and material at the navy yards, and the other through direct payments on public bills. This, however, resulted in an awkward situation and one difficult of explanation, so that it is probable that in the present and future years but one statement will be made covering each such appropriation. However, it is to be borne in mind that for this first year it was necessary to prove the difficulty of making charges directly to the subheads and sections of the appropriation and to show how little value could be attached to a subdivision of this kind. Not more than 10% of each leading industrial appropriation, except increase of the Navy, was expended on public bill.

One great difficulty which presented itself here was in connection with the purchase and use of material. In the desire to balance out each appropriation, it was not sufficient to state that so much material had been purchased during the year. The important thing was to know how much material had been used. It would be difficult to segregate each purchase of material among the various purposes for which it is to be utilized, since stores, from economical considerations, are bought in the largest possible quantities, to be finally used for a multitude of purposes. It is only when the materials are actually incorporated into the work that it is possible to properly record its disposition.

Our solution of this problem consisted in instituting an intermediate stores account. Congress had already, in 1893, authorized the setting aside of \$200,000 for a "Naval Supply Fund," to be used for the purchase of the common commercial articles, which when issued for use, were to be charged by transfer to the appropriation concerned, with consequent reimbursement of the fund. The original amount had from time to time been increased until it reached the sum of \$2,700,000. Before putting into effect the new accounting system, all of the reserve stock of the Navy (with certain exceptions), which had been purchased from the regular annual appropriations, but for various reasons had not yet been used, was turned over to the Naval Supply Fund. Thereafter, the bulk of the supplies used came through the intermediate account and was charged up to the appropriation at the time it was drawn from store. Thus, the act of drawing material from store, by proper system of records, locates the charge to the appropriation and indicates the purpose for which used. I am speaking now of the benefits derived from the Naval Supply Fund in an accounting sense only. Of the other benefits, such as consoli-

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dation of stores, simplicity in purchasing methods, etc., there is not time to enlarge upon here.

While we have succeeded in subdividing our expenditures to a degree which is fairly explanatory of the purpose for which the money has been used, it should be noted that our results, so far, are merely statistical in their nature, that is to say, we are able to present tabulated statements showing that certain amounts were spent for this purpose and certain other amounts for that purpose, and so on, but there is still something wanting in our system which will bring out of this mass of figures a coherent result and enable us to read by examination of the figures more justly what our business has been. To take the difficulties in their order: We find first that under our present system of accounting, while we have an account more or less similar to a capital account, it is actually far from the true state of the case. Our system for obtaining such capital account has been this: Every ten years we have taken an inventory of our yards and stations. The results so obtained have been charged up under Title "E," for the real estate, chattels, buildings, etc., and Title "F," for Machinery Plant. Assuming that in our last inventory we obtained an accurate valuation of all such property, let us see how our results have stood during the ten years which have passed since such inventory (the last inventory having been taken in 1899). First comes the great problem of depreciation. I do not know of any instance in which this subject is satisfactorily handled in Government service. It certainly is not in the Navy. Our system is to charge up waste, etc., when it becomes visible—that is to say, when articles have deteriorated, become lost, etc., we hold surveys and either wipe the articles off the books if totally unserviceable or lost, or reduce their value by new appraisal if still suitable for Government use. The loss in value which follows from these surveys is charged up to Title "W," Deterioration and Waste, but there it stops. In the meantime we are continually renewing or replacing our property and machinery, and each such charge is added to the capital valuation of our plants, with only such slight deductions as are due to intermittent surveys of material as above stated. Thus take for example the Navy Yard, New York, which was valued, all property, machinery, etc., in 1899, at about twenty million dollars. This plant is now represented on the books as worth about thirty million dollars. While it is probable that the land valuation has increased, yet it is reasonably certain that there has been no great increase in the valuation of buildings, machinery, etc., and although a large amount of money has been spent on these objects, a proportion of such sums ought to be properly regarded as replacements and renewals, in addition to wear and maintenance charges. It is also believed that all our industrial yards should

be accurately appraised, and after proper values have been fixed, rates of depreciation should be established for each class of property and the amounts written off for depreciation should be included in the cost of output in the same manner as is done in commercial practice. We are now wrestling with the cost of work problem and it is hoped that before long we shall have adopted a system which includes the item of depreciation in some such manner as has been indicated. We will also at that time take up the question of insurance, taxes, dividends, interest on capital invested, etc. None of these items actually exists in a Government plant, but it is believed that they should be estimated for and included in our cost of work problem. For example, there are no stockholders in a Government plant, and, therefore, there are to be no dividends to be charged off. On the other hand, the laboring force is allowed pay for leave and holiday and for injuries, which pay should undoubtedly be included in the cost of production, since it is directly proportional to the amount of work undertaken. If the Government decides to build a battleship at one of its navy yards, it must take into account that with every extra man employed for that purpose there is an additional charge on account of leave and holiday and possible injuries. Therefore, this element cannot be neglected in arriving at the true cost of construction. It may be said that the workmen themselves are the true stockholders in a Government plant, drawing dividends in the shape of pay for leave and holiday and injuries.

In the same way the problem of interest and taxes can be taken up and disposed of by analytical methods which it is not worth while to go into here.

The subjects just mentioned, however, belong not so much under the head of capital account as under the second charge, which we are to consider — that is, Title "G," or maintenance charges. This is the most debatable ground that we have to consider. In a commercial establishment all charges of this nature would be classed under the head of "General Expense." In the Navy, however, there is some difficulty in this connection, as a large proportion of these charges are attributable to the military element of the Navy rather than to the industrial element. As a matter of fact, we should make a sharp division between the military section of our expenditures and the industrial. The military expenses are those which would be made even though the Navy had no productive output whatever and are similar to those for the Army in similar places. The expenditures for maintenance of the military posts, pay of marines, and similar expenses have nothing whatever to do with the Navy regarded as an industrial establishment. There is, however, a large balance of expenditures which we now regard as money used for maintaining the industrial plant. I

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believe it will be recognized at once that such maintenance charges should be finally absorbed as overhead charges to the cost of production. This is something that we have never done, except in a very slight degree. We hope, however, in the course of time, to develop a proper system by which our cost of production will be accurately charged with its share of the general expense of the Navy. This is such a large subject that it is not possible to do more than mention it here, but I wish to point out the result which has come about by our reporting the cost of our work without reference to these overhead or expense charges.

Our proper "output" consists of charges under Title "A" (New Construction), Title "D" (Repairs to Ships), Title "P" (Repairs to Ships' Equipage, or Property), and such miscellaneous work as we do for other departments of the Government. We now charge to those titles merely the direct labor and material, with a very small overhead charge for power expenses, often neglected altogether. Since the cost of the entire clerical force, drafting, supervision, etc., and all the "General Expenses" of the plant is recorded as Title "G," cost of *maintenance* of the yards, and is not absorbed in the value of useful output, it must be clear that our figures showing cost of work done are very much below the actual facts.

As we all know, there has been much comment lately in the public press and magazines in regard to the expenditures at our navy yards and stations and the Navy Department has been charged with great extravagance in such expenditures. It has been pointed out that a large part of the money appropriated for the Navy has been spent at the navy yards and stations, only a small proportion being utilized for our fleet. I desire to call your particular attention to the erroneous conclusions that have been drawn from these statements. To do this I will take a concrete instance. Several days ago in the United States Senate, in debating the naval bill, it was brought out by one of the Senators, by quotations from an essay written by one of our leading officers, that large sums of money are spent on our naval stations in comparison with the amount spent on the fleet. The officer who wrote this essay desired to show how much of the Navy's money was expended through its navy yards. He did not, I think, intend to indicate that the money was spent for the purpose of maintaining the yards solely, but through the yards, as the channel of expenditures. One point to be made clear here is that the industrial portion of our navy yards have only one purpose for their existence, and that is to provide for and maintain the fleet, and that all proper expenditures made at the navy yards for this purpose are directly chargeable to the fleet and should not be regarded as expenditures in which the fleet has no interest. The essay, as quoted in the Senate, stated that for the fiscal year 1906, it

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cost to maintain all the navy yards and stations \$11,115,080.81. This is stated as being maintenance charges for all yards and stations. An analysis of these figures shows the following results: The pay of officers and enlisted men of the Navy who happened to be on duty at all shore stations included in these figures amounted to \$2,715,263.18. The amounts expended for the following places, which are purely military establishments, have no relation whatever to the work of the Navy any more than the expenses of Army posts at Fort Myer or Governor's Island can be considered as reckless expenditures for the maintenance of the Army:

Training Station, Newport.....	\$129,772.27
War College	16,505.00
New London	11,096.85
Naval Academy	360,017.86
Training Station, San Francisco.....	60,685.95
Naval Observatory	9,770.39
Yokohama	27,037.58
Hawaii	32,030.60
Pichilique, Mexico	999.77
Tutuila	21,690.44
Polloc	1,842.95
Guam	89,790.17
Frenchmans Bay	11,918.99
Sangley Point	9,308.23
Sitka	20,541.30
Culebra	1,658.64
Training Station, Chicago.....	10,410.26
Guantanamo	162,440.83
Total.....	<hr/> \$1,074,808.75

After deducting the pay of personnel, \$2,715,263.18, a purely military element, and the amounts expended at the different stations just named, also purely military, we have left the amount of \$7,325,008.88, which is chargeable to the maintenance of industrial plants. At each of these industrial plants, however, there are a great many charges which are purely military in their nature and would be made were there no work done whatever for the Navy, just exactly as has been stated above in the cases of Fort Myer and Governor's Island for the Army. However, as it is impossible now to separate out such charges, we will assume that the figures as they stand are the maintenance charges of the industrial plants. The direct labor, that is, labor applied to the productive work, at these plants, for the same period, amounted to \$11,844,254.63. Any one who is familiar with the results obtaining in commercial establishments where the expense of overhead charges are

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absorbed in the cost of output, will know that such charges easily average well up to 100 per cent of the direct labor. In our case it is seen that such charges, even including some elements which might properly be deducted, amount to about 62 per cent. Therefore, it is clear that error has been made in assuming that these maintenance charges are inordinately heavy, as compared with the output of the plants. In this way it was shown that the sum of \$9,989,183.09 was expended for buildings, chattels, etc., and for machinery at these navy yards. Of the amount stated, the following amounts should be considered as purely military:

Wireless Telegraph Stations.....	\$181,796.52
Training Station, Newport.....	85,159.34
War College	6,045.39
Naval Academy	1,514,518.50
Training Station, San Francisco.....	7,946.52
Sangley Point	2,449.35
Training Station, Chicago.....	8,235.37
Guam	44,106.70
Tutuila	20,181.31
Frenchmans Bay	46,541.86
Hawaii	4,235.08
Bradford	252,022.77
Sitka	25,667.82
Total.....	<hr/> \$2,198,906.53

From the figures as given there is left a balance of \$7,690,-276.56, chargeable to Titles "E" and "F," cost of real estate, buildings and machinery of the industrial plants.

The valuation of our shore plants is approximately one hundred millions. The amount expended in one year in keeping these plants up to their normal value, and in some additions to capital valuations, was \$7,690,276.56. I do not think that this can be considered at all an exorbitant figure.

Another point to be made clear: The Senator in question quoted the fact that under the manufacture account, Title "Z," at the navy yards, the enormous sum of \$22,447,347.03 was charged off. This account is the one under which the equipage for ships of the fleet is manufactured. The amount quoted seems to be large. However, if we will examine the annual report of the Paymaster General for the next fiscal year we will find that about fifteen of our large new ships went into commission during that year and that there was invoiced to them property valued at over \$26,000,000. This explains why the \$22,000,000 was expended during the preceding year. That is, in manufacture of equipage for these new ships which were expected to and did go into commission.

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Altogether these figures merely show that, while there is probably some extravagance in the Navy in regard to the administration of its shore plants, the figures quoted do not show such extravagance and are such as would be expected from any normal manufacturing enterprise of such tremendous proportions as are found in the naval establishment. Figures can be made to show anything, and it is only when we take into consideration the real meaning of the expenditures that we begin to grasp that there have been fallacious deductions drawn from published results.

It should be also borne in mind that in the figures above quoted there are included the output in work at many small establishments which are, as a matter of fact, not industrial, but military, in their nature. For example, such a navy yard as Pensacola, Fla., is maintained not because of its economical output, but for the reason that it is a military base with a certain equipment of machinery to repair ships in case of necessity, should the scene of operations of naval conflict be in the Mexican gulf. This plant must be operated in some degree in order to maintain it in a state of passable efficiency, but it is not expected that its productions will be large in comparison with the expenditures necessary to maintain the plant, or that the quality of its work will be such as could be found at another plant where the output was large.

So far, I have confined my remarks to our system of recording expenditures. As a matter of fact, it would have been better had I first described our liability system, as that is the natural order in which the records are maintained.

Each of the 300-odd appropriations to which I have referred, with in some cases their various subheads, must be separated on our books as regards liabilities as well as expenditures. Our present method, which is one that would be ordinarily followed under any accounting system, is to charge up to each appropriation all expenditures, whether they are requisitions for purchase or estimated amounts of labor necessary at the various yards. Should the requisition, for example, be followed by a purchase, the amount of the order placed is substituted for the estimate on the requisition, and an adjustment made of the difference between the original estimate and the actual purchase value of the article. After delivery has been made and the bill paid, a corresponding entry is made to that effect.

Should the requisition be followed by a contract, as is most frequently the case, the amount contracted for is substituted for the estimated amount as shown by the requisition, and the proper adjustments made, to be followed by writing off the amount paid when the contract is concluded.

Under this system all liabilities to an appropriation are entered together without regard to their nature, and the stand-

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ing of an appropriation is found by deducting from the amount appropriated the amount which has been obligated. Thus it is difficult to state the amounts of outstanding obligations in any case, since actual payments and proposed purchases are together involved in one statement. We hope to institute a system by which actual outstanding obligations can be separated from de facto payments. This is by no means an easy problem, owing to the vast variety of expenditures and amounts involved, but it will probably be solved on the basis of a card system, in which completed payments are removed from the liability records by the simple action of abstracting the cards and filing elsewhere. In conjunction with this system it is proposed to maintain the liabilities under the same heads in which expenditures are recorded, so that we will be able to state at any time how much has been spent for any particular object and how much is outstanding as a proposed expenditure.

Following all of the foregoing statements in regard to expenditures, etc., I would like to treat the subject of audit of accounts. This, while it pertains to naval accounting, is not handled by our Bureau, but in the Office of the Auditor for the Navy Department. There the real final records of lump expenditures from all appropriations are maintained, although the purposes for which the expenditures have been made are ignored. The Office of the Auditor and our own Bureau have a great deal of work in common and constant reference between the two is necessary. This is an absolutely essential condition for the transaction of public business, and I do not know how we could settle a great many problems with which we are confronted were it not for the fact that the two offices are on such perfectly good terms.

The Development of the Voice-Writing System.

By HERMON C. METCALF, Vice-President of the N. M. Minnix Co., Inc.

The steps in the order of human progress are nowhere better illustrated than in the methods governing the transaction of modern business, and the development during the past fifty years has been greater than during the entire previous history.

Take transportation for an example. The primitive man walked, and if he came to a stream too deep to be forded, he swam; walking he found slow and expensive of effort, so he tamed a beast of the field and rode upon his back, thus saving his own legs and enabling him to accomplish his journey in less time. Soon he harnessed a sledge to his beast, thereby enabling him to carry a much larger burden; then the invention of the wheel brought both greater speed and greater comfort; but human ambition was not satisfied with such progress, and therefore the invention of a mechanical means of transportation was inevitable. The steam locomotive now enables a man to travel many times faster with little or no effort, and with absolute comfort, while there is no limit to the weight of the burden that may be carried. The past decade has seen the perfection of the automobile, a more adaptable and less expensive means of transportation than the horse and wagon or the locomotive; and, even as I write, there is being demonstrated upon the heights of Fort Myer the fact that man is finally master of the air. What the future has in store in the way of transportation through the trackless atmosphere we can only conjecture.

When our primitive man reached a stream too deep to be waded and too wide to be swam, he straddled a log and propelled it by a pole. If a favorable wind were blowing, he lifted aloft a branch of a tree, or spread a rude mat of woven rushes, and made the wind his servant. Later, the mat gave place to a sail and the pole to a rudder, and for thousands of years man traversed the trackless seas making the wind carry him whithersoever he wished. But he was still largely at the mercy of the elements, with all of the possibilities of danger and delay, and the demand for some better, quicker, safer, and altogether more dependable means of water transportation was met by the invention of the steamboat.

It is a far cry from the ox-cart of the long ago to the luxurious automobile of today; from the wheelbarrow of the Chinaman to the powerful locomotive; from the dugout of the Indian to the monstrous ocean greyhound; but each is the result of this inevitable law of human progress, that man is ever seeking to accomplish his purposes with greater rapidity and greater comfort.

Man, in common with most, if not all, other creatures, is capable of transmitting an idea to another of his kind, and, in some cases, to creatures of another kind, through the senses—sight, hearing, touch, speech—in most cases combining two or more of these senses, and where one or another is lacking developing what remains to serve his needs. It is natural to

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speak, and so primitive man had no trouble in communicating with his fellow by means of the voice and ear. If he failed to make himself intelligible there yet remained the possibility of making signs and thus communicating the idea through the eye. The "sign-language" of the plains in the early days of our western settlement furnishes a most striking example of the great extent to which the eye and hand can be developed as a substitute for the voice and ear. An Indian meeting one of another tribe had no trouble in establishing friendly relations and communicating with him freely. In the case of Miss Helen Keller we have a most marvelous demonstration of the possibilities of the substitution of one sense for another, for the single sense of touch has been developed to such an extent that she can use it as a substitute for speech, hearing and sight, the hand taking the place of voice, ears, and eyes.

But primitive man soon found that it was essential that he should communicate with his fellows when they were not actually present, and he, therefore, naturally adopted the use of pictures with which to express his meaning. A piece of bark having scratched upon it with a sharp piece of flint a rude outline of a bear, a man, and a club, followed by another outline of the bear lying upon the ground, tells the story of a meeting and a combat as well as could be done by word of mouth. The hieroglyphics of the Egyptians furnish an excellent illustration of the extent to which picture-writing may be used, for many of the records of ancient history have been preserved to us in enduring stone or clay, through thousands of years, and can be easily and accurately read to this day. Stone and clay might serve the purposes of permanency of record, but the labor involved and the bulk necessarily placed a limit upon their use; consequently we find that the thin fiber of the papyrus or the tanned skin of a beast was substituted as a writing material, and the pictures are converted into symbols or arbitrary characters, each with a particular meaning. It was not until comparatively modern times, however, that these characters were made to represent sounds instead of things, thus enabling the writer to make combinations of characters representing the sounds that would be made by the voice in speaking. The development of the means of making the record has kept progress with the development of the systems. Hieroglyphics were carved in stone with a chisel; the substitution of tablets of clay permitted the use of a stylus; the use of parchment made possible the more artistic use of a brush; with the invention of paper came the quill pen, which gave way to the more durable and reliable steel pen.

But here again the limits of time and the drain upon comfort were such that there was a demand for a speedy and legible method of writing, a demand met by the invention of the typewriter, which increased the capacity of an individual many fold.

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But the writing of these characters was and still is a slow process, and for many years men strove to devise a system by which it would be possible for a writer to keep pace with human speech. Various systems of "shorthand" were devised, but until within very recent years they were all so cumbersome and so difficult to acquire as to be almost impracticable. Within the last fifty years, however, systems of shorthand have been perfected to such an extent that a person of ordinary intelligence may, after a few months of diligent study and practice, write rapidly enough to record what is said in ordinary conversation, and by still further practice be able to keep pace with the most rapid human utterance.

But there are certain limitations of the shorthand system which will effectually prevent its ever being adopted for general commercial and private use for recording commercial transactions or carrying on private correspondence, and it is still so difficult to acquire that comparatively few people have the patience to learn. So the fact remains that those who desire to record their own thoughts by means of written characters must still be limited to the slow and laborious process of longhand writing, or else employ another person to make the record as it is spoken. One's thoughts will run far ahead of one's ability to record them. It is not always convenient nor practicable to have another person present at the time when it is desirable to have the record made. Sometimes the very presence of another person will interfere with the even course of the thought or the flow of words. It is also obvious that one who has spent months in acquiring the difficult art of writing shorthand may justly demand a proper remuneration for his services.

And so we find an unsatisfied desire on the part of man, particularly on the part of those individuals who are engaged in business pursuits, as well as those in the professions, or engaged in literary work, for a means of making a permanent record of their speech independently of any other person, and at any time, either during the strenuous hours of the business day, in the quiet of the home study, or immediately when certain ideas have been formulated in the mind, a demand which remained unsatisfied until less than a generation ago, when Thomas A. Edison, experimenting with a mechanism for transmitting speech to a greater distance than is possible by the voice alone — the telephone — conceived the idea of making a permanent record of the vibrations of the air, which we know as sound, and brought forth a simple mechanism which he designated as a "phonograph" (phono — sound; graph — to write), an invention which startled the world, for it made possible the reproduction of human speech. The invention of thirty years ago has in more recent years been developed and improved in every respect, and the inventor, with the co-opera-

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tion of his able assistants in his now famous laboratory at Orange, N. J., has presented to the business world a mechanical means whereby the great and unsatisfied desire to be able to promptly record human speech and reproduce it at once, or at any time in the indefinite future, has been adequately met.

So we find in the voice-writing system a culmination of this insatiable law of human progress. The growth of the use of these time- and labor-saving and comfort-bringing appliances follows an inflexible line and accomplishes its purposes by a force irresistible. Their progress may be retarded, but it cannot be stopped by any individual or by any class.

When the development of the steam railroad was exploited, it was consistently and violently opposed by canal boatmen and teamsters, who saw in it ruin of their own business, and our grandfathers tell us how their mothers and grandmothers protested that they would never ride behind one of those snorting, smoking monstrosities.

When the typewriter was placed upon the market those who made their living by writing letters with the pen threw up their hands in horror, and more than one business man indignantly rejected a proposal to buy one, maintaining that so long as he lived no letter would go out of his establishment looking as if it were printed.

The perfection of the typesetting machine created consternation in the ranks of the hand compositors, but they could not prevent its adoption at once by the more progressive printing establishments, and, finally, in the face of active, organized opposition, by the National Government.

And so it must be with the voice-writing system. It meets a great human need, it complies with the requirements of this great law of human progress, and as it is advanced and fostered, so it will contribute to the great store of human happiness and material prosperity. It will be superior to the individual; here and there an enthusiast will put behind it his energy and give it a new impetus; now and then a skeptic will let it pass by unaided; occasionally there will be direct opposition, individual or organized, that will retard its progress and interfere with its best service as well as discourage those who are endeavoring to advance it. Some short-sighted business man will refuse to take time to learn the simple operation of the machine; some stenographer will refuse to lend her co-operation in bringing about the successful use of the system, even preferring in some cases to follow the thorny path of seeking another "job" rather than to let "that thing" talk to her. The system itself, possessing the elements of goodness and success, must follow its own destiny. Those who adopt it may have an added means of attaining success; those who are devoting their time to introducing the system may feel that they have had some part in furthering the interests of their fellows and serving the generation in which they live.

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JULY 20, 1909.

A Day's Work for a Day's Pay

A good deal has been said and written during the past few weeks, and the daily press has in many different ways commented, wise and otherwise, on the above statement, said to have been made by one of our present Cabinet officers.

To those among our readers who are familiar with the incidents which led directly to the founding of the Association of American Government Accountants, and which incidentally brought THE GOVERNMENT ACCOUNTANT into being, any evidence of a sincere desire on the part of the administrative officers to remedy existing defects and improve the Federal service, either in men or methods, is welcome news, indeed. It is to be regretted that the reflex results in other branches of the service of the widely-heralded action of one Cabinet member in shaking up his Department have so far been rather disappointing, because the fundamental reasons underlying these changes seem to be misunderstood, even by a large number of the members of the Association of American Government Accountants, the sole aim of which organization is advanced study in accounting by its members for the purpose of increasing the individual's value as a component part of the National Government's working force.

There are a great many bright young men in these United States who take civil service examinations and resultant appointments to the junior and sub-clerical grades for the sole purpose of using the spare time the short governmental office hours permit for the study, either elementary or graduate, of some profession which will enable them to leave the service in a few years and devote themselves to an entirely different line of activity. Salaries in these positions compare very favorably with those paid by the commercial and industrial enterprises for similar work, so that few, indeed, of these young men need make, or have made, any financial sacrifice to enter the Federal service, such as is invariably the case of the experienced professional who, for whatever reason, is willing to give the Government the benefit of his special training and expert knowledge of a high order for entirely inadequate pay.

This lack of proper grading of governmental employees

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and the consequent imperfect adjustment of salaries is primarily responsible for more evils than appear on the surface, and only careful study of conditions, such as given by the Keep Commission, can bring them to light.

That any administrative officer should object to a clerk's pursuit of studies after office hours in line with his work, calculated to fit him for a more responsible position in the service, is highly ridiculous; that any Cabinet officer seriously entertains the belief that the study of a profession unrelated to his official duties does impair the value of the average employe in the lower clerical grades, is too absurd for argument; but that any government employe of whatever grade, who neglects his duties, slights his work, and uses the governmental pay roll simply as a means to an end of no value to the office in which he is supposed to be working, is downright dishonest, and puts an unjust burden on his more honorable fellow-clerk, no one can deny; and any punishment meted out to such offenders is well-deserved.

"A day's work for a day's pay" is a catchy slogan, but it expresses only a relatively unimportant feature of wastefulness in the conduct of governmental business and one which is dwarfed into utter insignificance as a part of the question of men when contrasted with the question of methods.

Men and methods must receive attention simultaneously to produce effective economy; it is not sufficient to see that a given number of clerks are kept steadily busy, but that their efforts are productive in accordance with the pay received for the work. Cases where a number of clerks perform mechanical tasks at a cost of thousands of dollars per annum, which tasks could be accomplished much better and in less time by one clerk with the aid of a special machine costing a few hundred dollars at most, and paying for itself in a few weeks, are numerous, and directly chargeable, not to the lower clerical employes, but to those higher up who entered the service years ago without any special training, who have gradually risen through their familiarity with routine labors of their particular offices, considering it entirely sufficient to be able to duplicate each year the work done in previous years in the same time, in the same manner, and by the same methods in use for a generation, without reference to any improvements or changes which might have taken place universally outside of their limited sphere of observation.

Bureau chiefs imbued with this spirit cannot be expected to apply a different standard when making promotions in their working forces; the clerk who comes nearest to being an exact replica of his chief receives preference every time over the one who, through later outside experience, shows individuality and ability by suggesting economical improvements which would disturb routine and upset sacred precedent. This produces an endless chain unconsciously, though none

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the less effectively choking off incipient reform whether approaching from above or below.

Many of the so-called cases of "favoritism" arise in this manner; the promotions are made by an officer conscientious in the belief of a duty well performed. It would be extremely difficult to find today a single case of "favoritism," properly so-called, where a promotion, or rather an increase in salary, is based upon personal relations in disregard of clerical ability as demonstrated by previous performances. There always will be rumors of this kind, usually set afloat by disappointed clerks of the time-marking variety, who spend all their spare moments chasing their Congressmen in the hope of obtaining through them, and in violation of the laws originated by them, what they well know their work (!) does not entitle them to.

The desirable employe who finds himself in a false position does not waste his time in this manner, but embraces the first opportunity to obtain a transfer or quit the service entirely, and this constitutes the greatest obstacle to lasting reform.

We have no remedy to suggest; however, a permanent committee, such as the Keep Commission, composed of responsible, competent, up-to-date men in the service, to whom suggestions and complaints could be addressed by the humblest clerk without fear of consequent disfavor or reprisal, such committee to have sufficient power to make recommendations for changes in departmental methods from time to time after due investigation of conditions complained of, which recommendations could then be made to serve as the basis for uniform changes in all the departments by executive order, we believe to be a simple and effective method, sure to produce economies of a far-reaching character.

Association Notes

The following applications were passed by the Board of Trustees of the Association of American Government Accountants at a meeting held June 25, 1909:

Active Membership.

Geo. W. Dix, office of the Auditor for the War Department.

Omar J. Valey, Navy Department.

Miss Cora C. Curry, Bureau of Navigation, Department of Commerce and Labor.

Associate Membership.

F. S. Cundiff, U. S. Reclamation Service, Yuma, Ariz.

Affiliated Membership.

W. E. Walter, C. P. A., Rutherford, N. J.

Association of American Government Accountants

Organized November 14, 1906

Post Office Box 27, Main Office, Washington.

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Alonzo Tweedale, Vice President. (Municipal Building, D. C.)
James L. Wilmeth, Treasurer. (Treasury Department.)
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J. P. Muller, Chairman. (Interstate Commerce Commission.)

Finance.

Theo. L. De Land, Chairman. (Treasury Department.)

Membership.

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Lectures and Meetings.

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The personnel of these committees will be published in subsequent issues as soon as the names are announced by the respective chairmen.

The Government Accountant.

OBJECTS OF THIS ORGANIZATION:

1. To unite in one organization employes of the Federal, State and Territorial Governments of the United States of America, and of the District of Columbia, including Municipal Officers and employes of City Governments having control of or participation in accounting, including the subjects of appointment, purchase, and issue or sale, collecting and disbursing, examining and auditing, bookkeeping, statistical and actuarial subjects.

2. To encourage and facilitate the adoption of economical, expeditious, progressive, and uniform methods in handling the accounting features of the fiscal operations of the Government.

3. To provide means for the technical education and independent study of its members:

First. By promoting and encouraging the study and discussion of questions of advanced and practical accounting and adaptations and improvement of methods.

Second. By originating and disseminating original essays and papers concerning the theory, law, and practice of accounting, and encouraging the expression of individual opinion on controverted points.

Third. By providing occasional addresses on particular features of accounting, either governmental or commercial, by persons outside the Association having expert technical knowledge and experience.

Fourth. By providing a library and a catalogue of the works on accounting and kindred subjects at present available in various local libraries.

Fifth. By advocating systematic instruction in accounting and administration in schools and colleges.

MEMBERSHIP:

The membership of this Association shall consist of three classes, Associate, Active, and Affiliated.

1. Associate Members: All Government employes whose titles or duties are those of accountant, actuary, auditor, statistician, bookkeeper, cashier, chief of division of accounts, comptroller, disbursing officer, examiner, inspector, law clerk, or purchasing agent, and generally all those having to do with the initiation, approval, settlement, audit, and record of fiscal transactions, as well as the Government Examiners for Banking, Insurance, Transportation or Public Service Corporations, are eligible for associate membership in the Association.

2. Active Members: Such persons as shall have been satisfactorily tested as to their qualifications shall become eligible for active membership in this Association.

3. Affiliated Members: Such persons as are, or may have been, in the Government service, and are actively interested in the subject of accounting, and whose attainments in that line are such as to merit such recognition, are eligible for affiliated membership in this Association.

Association of American Government Accountants

Organized November 14, 1906

Post Office Box 27, Main Office, Washington

APPLICATIONS FOR MEMBERSHIP.

All applications by mail, for enrollment as Active, Associate or Affiliated Member should be addressed to the Secretary, P. O. Box 27, Main Office, Washington, D. C., for transmission to the respective committees.

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Association of Government Disbursing Officers

GEORGE W. EVANS, President

SCOTT NESBIT, Secretary-Treasurer

Address all communications to the Secretary-Treasurer, in care of Coast and Geodetic Survey, Department of Commerce and Labor, Washington, D. C.

OBJECT:

The object of this organization is to increase and better enjoy social relationship between the members and by mutual help or advise to improve the efficiency of the individual as a responsible officer of the United States Government.

MEMBERSHIP QUALIFICATIONS

Any bonded officer of the United States Government whose annual disbursements reach or exceed One Hundred Thousand Dollars is eligible to membership.

National Association of Comptrollers and Accounting Officers

Organized February 14, 1906

Office of the Secretary, 280 Broadway, N. Y., Rooms 155-157

OFFICERS, 1909-1910.

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OBJECTS OF THE ASSOCIATION:

"The consideration of improved methods of public finance and the extension of the movement for the installation of a uniform system of State and municipal accounting and reporting throughout the United States, and the promotion of legislation towards these ends."

MEMBERSHIP QUALIFICATIONS.

"All comptrollers, auditors or other accounting or fiscal officers of cities, counties and States in the United States shall be eligible to membership in the Association. Accountants regularly engaged in State and municipal accounting shall also be eligible to membership."

"Each member shall be entitled to a copy of the bound volume of the proceedings of the annual or other conventions of the Association, and to all bulletins or other special publications issued by the Association for the information and benefit of its members."

The cost of membership in the Association is Ten Dollars per annum.

Accountants' Association of the Interstate Commerce Commission

Organized May 5, 1908

1311 G Street N. W., Washington, D. C.

OFFICERS AND COMMITTEES.

Elected at the annual meeting held April 12, 1909, to serve for one year.

OFFICERS.

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S. L. Lupton, Chairman.
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OBJECT:

The object of this Association shall be the discussion of topics of common interest, the promotion of efficiency and sociability among members and such other objects as may be approved by the Interstate Commerce Commission.

MEMBERSHIP:

The active membership of this Association shall be confined to Examiners, or other persons of a grade equivalent to Examiners, who are employed in the Bureau of Statistics and Accounts.

Any employee of the Interstate Commerce Commission may be elected to honorary membership.

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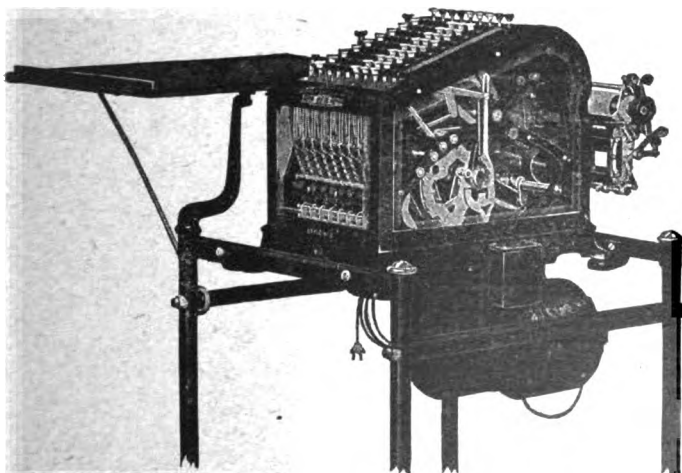
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The Government Accountant.

nitude of its functional activities necessitate a departure from certain details of method and procedure heretofore followed, it is nevertheless true that it has passed through the most gigantic and complicated instance of the consolidation of previously independent and highly organized municipalities within the world's history without any breakdown or even appreciable disturbance in the consecutive conduct of its book-keeping processes, and the genius and genesis of the accounting theories and practices which have weathered the stress of so stupendous an undertaking, and met the exactions of so complicated a situation, must surely possess elements of efficacy of great possible value to lesser municipalities now approaching relatively similar development; of greater value, possibly, because of greater simplicity and more ready adaptability to situations of less complication and magnitude, than the alternatives that may ultimately be found better suited to the requirements of the City of New York.

It is not the intention to enter into any treatise on the minute details of the bookkeeping processes employed, except so far as may be necessary to properly state the case, but at the outset to confine the presentation mainly to the governing considerations and broad action of the accounts, disregarding all features that are peculiar to the conditions that obtain solely in New York, and to outline only such principles and practices as are inherent in all municipal accounts, and therefore applicable to the accounting requirements of all cities alike. The principles that govern the creation and structure of the public records will consequently be given precedence over the devices that may be used in effecting the end, the assumption being that the demonstrated advantage of a general plan will suggest its own local details in the line of established usage, and that accordingly greater importance attaches to "what to do" than "how to do it."

After treating, however, with the underlying essentials and showing the reciprocal play and relative bearing of the controlling accounts, with a view to reflecting their significance and use in the simplest possible manner, it is the purpose to amplify the subject by supplementary reviews of processes and expedients relating to certain important details where useful formulæ of a comprehensive nature have been worked out and appear to possess the property of general applicability.

It is necessary at the outset to recognize certain governing distinctions and to keep within a comparatively simple differentiation and classification in order to prevent the native complications and intricacies, which ordinarily tempt digression, from marring the plain and direct presentation so essential to a proper understanding of the subject.

The accounts of a city fall primarily under three heads, namely:

The Government Accountant.

1. The City Treasury.
2. The Principal of the City Debt.
3. The Sinking Fund.

and the public moneys in the several designated depositories are divided between the City Treasury and the Sinking Fund, both of which divisions must originate and always remain absolutely or separately conducted bank accounts with no receipts or payments in common.

Commencing with the City Treasury, the operation of a fiscal year (the calendar year 1908 being assumed), give rise to the following entries and accounts, which are expressed in the customary journal and ledger forms, and supplemented with imaginary figures measured to a city of about 500,000 inhabitants, with such explanatory text and running comment as is deemed sufficient to reflect their nature and purpose. The journal entries are numbered consecutively, and against each item therein is placed the number of the ledger account to which it is posted. In like manner the ledger accounts are numbered consecutively, and against each item therein is placed the number of the journal entry from which it is posted.

THE CITY TREASURY.

ENTRY 1.

Journal.

1. Appropriation and Provision.....	\$10,981,759.30	
4. To Appropriation Funds, 1908.....		\$10,981,759.30

For annual budget passed by the constituted authorities to provide for the payment of the expenses of the several departments of the city government during the year 1908, as under:

The specific titles of the several funds and amounts appropriated for each here follow, and are opened in and posted to the Appropriation Ledger of 1908.

ENTRY 2.

1. Sundries. To Appropriation and Provision....	\$10,981,759.30
2. General Fund for Reduction of Taxation.....	\$2,083,194.78
5. Receiver of Taxes	8,898,564.57

For annual tax on real and personal property confirmed and levied in an amount that, added to the estimated revenues of the general fund (based upon revenues received during the previous year), will equal the annual budget; as per tax rolls transmitted and charged to the receiver of taxes for collection.

The foregoing constitute the opening entries of each year, and, as will be seen, the account entitled, "Appropriation and Provision," is charged and credited simultaneously in equal amounts and accordingly operates merely as a clearance of the other accounts which survive.

The charge to General Fund will be liquidated by the credits of revenues received. The charge to the receiver of taxes will be liquidated by credits of taxes collected and arrears transferred to the collector of tax arrears. The credit to Appropriation Funds will be liquidated by charges of warrants drawn for expenditure and unexpended surplus balances carried to the General Fund.

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The account, entitled "Appropriation Funds 1908," is the controlling account of the Appropriation Ledger of 1908, which contains the specific funds appropriated for salaries, wages, materials, supplies and contingencies of each of the several city departments, under titles reflecting the various departmental functions and related character of expenses, including also the State tax and redemption of and interest on the city debt.

The departments comprehended in a city government ordinarily include the following, each of which occasions a group of specific appropriation funds:

CITY INSTITUTIONS.

Mayoralty	Highways	Water Supply
Aldermen	Bridges	Gas and Electricity
Finance	Sewers	Docks and Ferries
Law	Buildings	Taxes and Assessments
Fire	Education	Elections
Police	Parks	Coroners
Health	Charities	City Courts and Sun-
Street Cleaning	Correction	dry Boards and
		Commissions

COUNTY INSTITUTIONS.

Sheriff	Surrogate	County Clerk
District Attorney	Register	County Courts

The Appropriation Funds controlling account and the corresponding Appropriation Ledger containing the specific funds for each year remain open and in operation until every expenditure or claim for which said appropriation was provided has been satisfied and discharged, although several years may elapse before a complete settlement of said year's transactions is effected, and not until all demands which can possibly relate to said year, and therefore be payable from said year's funds are fairly disposed of, can any unexpended surplus be considered as free for transfer to the general fund and applicable to the reduction of a succeeding year's tax.

Inasmuch as the taxes levied for the expense of say, 1908, are not collected until the latter part of the year, during which the greater part of the money is expended, it becomes necessary, in order to have money to currently pay said expenses, for the city to borrow, by sale of revenue bonds. The proceeds of said bonds are accordingly credited to a bond fund entitled "*Revenue Bonds Issued in Anticipation of the Collection of 1908 Taxes*," and used for currently paying warrants drawn against 1908 appropriation funds. When the taxes levied to provide for such payments are collected the tax receipts are applied to the redemption of said revenue bonds, and such redemptions are charged against the same bond fund to which the proceeds of bonds sold were originally credited.

(To be Continued.)

Vouchers, Their Essentials, Form and Preparation.

By JUDGE B. F. HARRAH, Law Clerk in the Office of the Comptroller of the Treasury.

(An Address delivered before the Association of American Government Accountants.)

The term "voucher," when used in connection with the disbursement of moneys, implies some written or printed instrument in the nature of a receipt, note, account, bill of particulars, or something of the character, which shows on what account or by what authority a particular payment has been made, and which may be kept or filed away by the party receiving it for his own convenience or protection, or that of the public. *Public v. Swigert*, 107 Ill., 494, 464 (cited and approved in *State v. Moore*, 36 Nebr., 579; *Moore v. Graneau*, 39 Nebr., 511).

An instrument which attests, warrants, maintains, bears witness, is correctly styled a voucher. *States v. Hickman*, 8 N. J., Law (3 Halst.), 299.

Vouchers should be distinguished from claims.

The laws of the State of New York of 1870, chapter 190, provided that all moneys drawn from the Treasury of New York for county expenditures should be upon proper vouchers examined and allowed by the Auditor and approved by the Comptroller. It was held that the Auditor and Comptroller were not authorized to examine and pass upon the claims themselves, but upon the voucher only. "The word 'voucher,'" said the court, "would seem to mean the evidence, written or otherwise, of the truth of the fact that the service had been performed or the expenses paid or incurred, not evidence of the legal conclusion on the question whether the services or expenses, assuming the services or expenses have been, in fact, performed, paid or incurred, are properly county charges, or are properly allowable, when the account for them is presented for allowance. The vouchers to be presented, examined, and allowed by the Auditor, are accounts in proper form, verified, the resolution of the board of supervisors allowing it, and the acquittance or discharge to be signed on payment being made." (*People v. Green*, N. Y.; 2 Thomp. & Co., 18, 20; 5 Daly, 194, 199; *People v. Haws*, N. Y.; 21 How. Prac., 117, 128.)

The word voucher as ordinarily used and understood in accounts with the Government is the printed or written evidence of the facts in connection with a payment of money or transfer of property to or by the Government.

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A voucher may be complete within itself or it may be a sub-voucher, or in other words a voucher for a part or the whole of a payment evidenced by another voucher, or it may be a voucher to a single fact or part only of the facts affecting a payment. It may be verified by different persons or officials, each of whom is a voucher or witness to a part or the whole of the contents of the voucher technically so-called. One may vouch for the delivery of the material or supplies, or the performance of the service or contract work if done under a contract, another may vouch for payment and the manner in which made, another may vouch for the receipt of payment, and still another may vouch for the authority of the particular official to make the expenditure. Each statement made by an officer or employe of the Government made within the scope of his authority is evidence in accounts with the Government. Such statements constitute a very material part of most vouchers that are submitted with accounts between the Government and its employes, or persons sustaining the relation of debtor or creditor of the Government.

There are millions and millions, tons and tons, and cords and cords of vouchers filed away many of them old and musty and apparently useless, but all of them at some time have passed the scrutiny of the accounting officers of the Government, and served the useful purpose of verifying some act claimed to have been done for the Government.

Stamps are but a convenient form of vouchers for payments to the Government. They are issued by the Government and the officer to whom issued must account for them or their money value. They are issued and sold to evidence payments to the Government for services to be rendered, as postage stamps, or taxes to become due, as the stamps issued for internal revenue taxes. These stamps may be bought and sold at their face value and may be used by any person possessed of them to show payment or procure services. (*Jones v. Van Bentenssen*, 103 U. S., 87, 89.)

Every payment made to or by the United States must be evidenced by some form of receipt or voucher. (See section 305 of the Revised Statutes and section 11 of the Act of July 31, 1908, 28 Stat., 209.)

The receipt of every person to whom a payment is made constitutes a voucher as to such payment (6 Comp. Dec., 531).

The Government acts only by its agents or officers and is only bound when such officers or agents act within the scope of their authority. (*The Floyd Acceptance*, 7 Wall., —.)

It follows, therefore, that the voucher for each payment made by or to one of these officers or agents should disclose the facts upon which it is made. In payments made by direct settlement of the Auditors the vouchers for all the facts except the fact of payment itself are the papers on which the Audi-

The Government Accountant.

tor's action is based. The fact of the payment itself is finally passed upon by the Auditor for the Treasury Department.

Where payments are made by disbursing officers they must submit vouchers with their accounts asking credit for such payments. Probably four-fifths of the amount of money paid by the Government to its creditors is paid in this way. The disbursing officers primarily pass upon every voucher evidencing payments to be made by them. They are then paid and submitted for final Audit in his accounts. Many of the vouchers, in fact a very large percentage of them are, however, either prepared or scrutinized and approved by some other administrative officer before they reach the disbursing officer for payment. It will thus be seen that almost every voucher, before being finally acted upon, passes the scrutiny of three different officers or employes of the Government. When it is remembered that there are something like 5,000,000 vouchers submitted annually, the vast amount of clerical work done by the Government in the preparation and examination of vouchers is apparent. It would seem also that the essentials would be as an open book to those who prepare and examine them. The fact, however, that the purpose of the voucher in each payment is to show compliance with the law as well as the fact of payment, is sufficient to show how variable the essentials of vouchers must be. The vouchers must cover the facts and these are almost innumerable. They may, however, to some extent, be grouped and classified.

Speaking generally a voucher should contain the evidence, or a reference to the evidence of every fact affecting the payment to be made. The essentials of a voucher may be considered under the following heads:

- 1st. What should be written or printed therein.
- 2d. Papers that should be attached to it or accompany it with proper reference thereto.
- 3d. References to such other papers, records and documents as may be necessary to further verify the statements contained in it.
- 4th. The method of verification.

The voucher, when complete, should have written or printed upon it the parties with a proper description of the payee and his address, where material; the account properly itemized; a statement of the purpose of the payment; the terms of the employment and rate of pay, and if for supplies or material the manner in which the contract therefor was made; also a statement showing compliance with any special provisions of law which requires the performance of any act as a condition precedent to the right to incur the expenditures for which the payment is to be made, the manner of payment; and

The Government Accountant.

if payment is made by cash and receipt. The various facts should be vouched for or certified to by the proper official or employe having knowledge of them direct or indirect in the usual course of business.

The description of the payee is necessary for the purpose of future identification to show the manner in which the voucher should be signed and frequently to show whether he is a person authorized to receive the particular payment or one to whom it may be lawfully made. Claims against the United States cannot be assigned (Sec. 3477, R. S.), and the voucher should be so drawn as to show payment to the person, partnership, company or incorporation who performed the services or furnished the articles or materials. The members of a firm are bound by the acts of the various partners composing the firm done within the scope of the partnership business and, it necessarily follows that one partner may execute a voucher for the firm and in its name, and may sign the firm name. An incorporated or unincorporated company may authorize some officer of the company to receive money for it and execute vouchers therefor, and when it does so the act of such officer is the act of the company. His authority to so act should accompany the voucher unless payment is made by check drawn to the order of the company.

Where an attorney is authorized to receipt for his principal, whether an individual, firm, company, or corporation, the receipt of the principal by the attorney or agent will be sufficient, without proof of authority accompanying the voucher if paid by check drawn to the order of his principal. Such an attorney may, in the discharge of his duty as an attorney execute such papers as may be required to vouch for fact within his knowledge necessary to justify such payment, but cannot receive the payment.

The person to whom a payment is made may be an employe of the Government, and the payment may be for extra services and in addition to his regular compensation. In such case it is important that the voucher should so describe him as to disclose the fact of such employment. This is an important fact because of the provision of sections 1763, 1764 and 1765 of the Revised Statutes, and section 2, of the Act of July 31, 1894 (28 Stat., 205), (10 Comp. Dec., 837; same case *Woodwell v. United States*, 41 Ct. Cl., 357.)

It may be asked why should this fact appear in the description of the person to be paid. The answer is because such employment may make the payment unlawful or disqualify the payee from receiving the payment and as it is an important fact affecting the payment it should not be omitted from the voucher to be ascertained by the accounting officer by the examination of other records. The object of the voucher is to disclose the facts and furnish the witnesses to, and evidence of, their existence.

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That the items for which payment is made should be stated is elementary. An item is one of the particulars in an account, statement or claim.

"An 'item' is a separate particular of an account." (*Lovell v. Bay Island Levee Drainage Dist*, 42, 159 Ill., 188.)

"An 'item,' as used with reference to an itemized account means an article, a separate particular in an account." (*Baldwin v. Morgan*, 73 Miss., 279.)

"The word 'item' is sometimes used in the sense of the particulars, the details, the distinct and severable parts." (*Commonwealth v. Barnett*, 199 Pa., 161.)

Like a bill of particulars in a pleading it puts the accounting officers on notice as to the character and purpose of every part of the account. There may be authority to buy necessities, but not luxuries, bread but not wine. In such case the account of a purchase would not be sufficiently or properly itemized if the purchase was described as merchandise or food. Likewise in a traveling expense account a statement showing the gross amount expended for meals, lodging and incidentals per day would not be sufficiently itemized because it does not furnish the particulars or details. These particulars are necessary because under the Act of March 3, 1875 (18 Stat., 452), only actual traveling expenses can be allowed. This act provides:

"That hereafter only actual traveling expenses shall be allowed to any person holding employment or appointment under the United States, except marshals, district attorneys and clerks of the courts of the United States and their deputies, and all allowances for mileages and transportation in excess of the amount actually paid, except as above excepted, are hereby declared illegal; and no credit shall be allowed to any of the disbursing officers of the United States for payment or allowances in violation of this provision."

This act has been construed to include only necessary expenses (5 Comp. Dec., 224). When the items are disclosed intelligent action may be taken on each one independently of the other. The same is true of all other accounts, claims or demands against the Government.

The basis of the itemized account should be the unit of measure or calculation for the things specified. If it is for service compensated by the time served the amount per day is ordinarily the unit of measure, and hence each day constitutes an item of the account. Vouchers for such payments are usually prepared in the form of pay rolls the statements relative to each person paid constituting the voucher as to such payment. Such vouchers are itemized by showing the time served, and the rate of compensation. Under the act of June 30, 1906 (34 Stat., 763), one-thirtieth of the monthly compen-

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sation, or one-thirtieth of one-twelfth of the annual compensation has been fixed as the unit of measure for calculating the compensation per day. Salary tables furnish a ready means of verifying the amount of vouchers for such payments.

The units of items for supplies, stores, materials, and miscellaneous articles is sometimes the amount per agreed number, measure or weight. The unit of the items ordinarily depends upon the contract, but as this usually follows commercial usage, but little more than the customary itemized bills will be necessary. Vouchers for work and materials under formal contract should be so itemized as to show the units of work completed or materials delivered. This will show compliance with section 3648 of the Revised Statutes as to advance payments, and furnish as well a means of computing the amount to be paid by the rule prescribed in the contract.

The Act of July 31, 1894 (28 Stat., 208), recognizes the necessity of considering accounts by items. The Auditor may suspend items or he may allow or disallow them in whole or in part. If wholly disallowed an appeal may be taken to the Comptroller as to the disallowed items, even though payment of the amount allowed by the Auditor may be accepted. Where a part of an item is allowed and a part disallowed and payment is accepted, an appeal cannot be taken as to the residue. It often happens that by the terms of the contract deductions are required to be made. If, by the terms of the contract, the deductions constitute items within themselves, acceptance of the amount allowed by an Auditor will not preclude a claimant from the right of appeal. Thus a stated sum per day, or for inspection and superintendence are items in favor of the Government, and constitute counter claims. Appeals may be taken from disallowances involving such deductions. In such case the contract is a part of the voucher by reference and specifies the items contained in it.

Contracts are required to be filed with the proper Auditor. They are not usually literally attached to the voucher, but being on file may be considered as accompanying them. A reference to such contract should, however, be made in the voucher for convenience.

Orders and original papers that are the basis of an expenditure, which would be the best evidence in case of suit, should accompany the vouchers. *United States v. Corwin*, 129 U. S., 381. The reason for this is that a certificate to the contents of an original paper would be secondary evidence. The paper must speak for itself.

Familiar illustrations of original or certified copies of papers that should accompany vouchers are travel orders, letters of appointment or employment or commission, letters of administration, guardianship, copies of advertisements, notices or proposals, and the order of the head of the department in

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claims for advertising (Sec. 3828); orders for expenditures of the contingent fund (Sec. 3683); letters of authority to subordinates to make expenditures; the invitation to bidders proposal and acceptance, where the contract is made in that way. In short all original papers that would have to be copied as a part of the transcript, if suit were brought, should accompany the voucher.

Official reports, documents and official papers may properly be consulted to verify statement contained in vouchers. *Plysert v. The United States*, 41 Ct. Cl., 311, 317. Such of these as it is necessary to consult to verify the voucher, should be referred to.

Facts within the knowledge of administrative officers should be certified to. Delivery of the property or performance of the services, advertisement, inspection, or such other facts as show a liability are properly certified to on the voucher or by accompanying papers. Facts showing compliance with special statutes, or that the acts are within the exceptions allowed in such statutes should be stated. If any emergency exist justifying an open market purchase it should be certified to (Sec. 3709). As the voucher is in the nature of a pleading as well as the evidence in support of the plea, exceptions should be especially negatived if it is a fact that the service comes within the exception. In pleading, exceptions in a statute must be negatived. The importance of observing this rule is apparent when we remember that there are many special acts that must be construed with general acts on the same subject. In such case the special act forms an exception to the general act whether the special act is passed prior or subsequent to the general act. (*United States v. Nix*, 189 U. S., 199; 12 Comp. Dec., 218; 14 Comp. Dec., 210 216.)

In the case of *United States v. Nix*, the court said:

"A general act is not to be construed as applying to cases covered by a prior special act on the same subject. * * * This rule of statutory construction is well settled that a general act is not to be construed as applying to cases covered by a prior special act upon the same subject. On this principle we held in *Townsend v. Little* (109 U. S., 504), that special and general statutory provisions may subsist together, the former qualifying the latter."

Where the interested claimant must verify his own voucher by statement made in his own interest it should usually be done by an affidavit. A familiar example is found in a traveling expense account. Where an official is not directly interested in the contemplated payment, or it is an admission against his own interest an affidavit is not ordinarily required.

Where an affidavit is required by regulation the expense of making it can usually be paid to the person who furnishes it.

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Where it is furnished as a part of the evidence required of the claimant he must bear the expenses of it.

The verification or certificate to a particular fact should be made by the person or official who would be a competent witness as to the fact in question in court. Thus the fact of delivery should, when practical, be certified by the receiving officer, inspection by the inspecting officer, payment by the paying officer, and performance by the officer or employe superintending, directing or controlling the service to be performed, whether by contract or otherwise. Officers or employes making such certificates do so subject to the penalties that are provided by sections 3490, 5438, and 5483, of the Revised Statutes.

Section 3490 provides that:

"Any person not in the military or naval forces of the United States, or in the militia called into or actually employed in the service of the United States, who shall do or commit any of the acts prohibited by any of the provisions of section fifty-four hundred and thirty-eight, Title 'Crimes,' shall forfeit and pay to the United States the sum of two thousand dollars, and, in addition, double the amount of damages which the United States may have sustained by reason of the doing or committing such act, together with the costs of suit; and such forfeiture and damages shall be sued for in the same suit."

Section 5438 provides that:

"Every person who makes or causes to be made, or presents or causes to be presented, for payment or approval, to or by any person or officer in the civil, military or naval service of the United States, any claim upon or against the Government of the United States, or any department or officer thereof, knowing the same to be false, fictitious or fraudulent, or who, for the purpose of obtaining or aiding to obtain the payment or approval of such claim, makes, uses, or causes to be made or used, any false bill, receipt, voucher, roll, account, claim, certificate, affidavit, or deposition, knowing the same to contain any fraudulent or fictitious statement * * * every person so offending in any of the matters set forth in this section, shall be imprisoned at hard labor for not less than one nor more than five years, or fined not less than one thousand nor more than five thousand dollars."

Section 5483 provides that

"Every officer charged with the payment of any of the appropriations made by any act of Congress, who pay to any clerk, or other employe of the United States, a sum less than that provided by law and requires such employe to receipt or give

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a voucher for an amount greater than that actually paid to and received by him, is guilty of embezzlement, and shall be fined in double the amount so withheld from any employe of the Government, and shall be imprisoned at hard labor for the term of two years."

These sections show clearly that Congress regards the vouchers, certificates, and affidavits in support of claims as very important papers and intends that they shall record the facts as they exist. False, fictitious, or fraudulent statements, or certificates knowingly made with a view to securing the allowance of fictitious or false claims subject the offender to the same punishment that is provided for the person who presents the claim.

What was said or done for the Government determines its liability. The voucher that furnished the evidence of this is the only proper voucher. The accounting officers must depend upon it for proof of the facts as they exist. It frequently happens in the preparation of vouchers that evidence of an important fact is omitted and the account or claim when submitted to the accounting officers appears to represent an unauthorized expenditure. New evidence is called for, and, if the fact that is important existed, it can be established and become a part of the record. If the fact does not exist it cannot, of course, be shown to exist, under any honest evidence. A man with one leg does not have two because witnesses swear that he does. The record case may, however, unless the witnesses are discredited or impeached, show that he had two legs, and the case may have to be decided taking that as a fact.

A voucher is one-legged when it omits or fails to disclose the evidence of an important fact. The claim does not appear to have the proper support. It halts, it stumbles, it wobbles, it is questioned, it must be sent to the hospital for the deficient. If it is truly representative of the claim such claim is a deformity. If the claim is valid the voucher for it may be changed, doctored, corrected, and perfected. Evidence may be changed, facts cannot. The one-legged voucher may, therefore, present a real or an apparent obstacle to the further progress of the claim.

The purpose of a voucher being to disclose the supports on which claims, accounts, or demands in which the Government is concerned, either as debtor or creditor, rests, their preparation involves the task of making the supports appear.

All payments of money out of the Treasury must be based upon appropriations. Accounts with the United States must, therefore, be stated under appropriations. (Sec. 3623, R.S.) The voucher should, therefore, ordinarily by direct statement disclose the appropriation to be charged. When there are many payments included in a single account this is usually done by an abstract of disbursements.

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The vouchers should be prepared with a view to ready reference. This is usually done by giving them a serial number and sometimes by also designating them as payments for a particular month and year, or fiscal year. Sub-vouchers should likewise be identified by numbers. Names on pay rolls should also be numbered in consecutive order, this when the pay roll is prepared with a view to ready reference to it will furnish an easy means of reference to the particular voucher for a payment made on pay rolls. I don't know of any general rule that is observed in the placing of reference numbers or marks on vouchers. If such a rule were practicable, which I am not prepared to say, it would save time. Anything that tends to uniformity, unless unnecessarily prolix, tends to save time and whatever saves time, without destroying any necessary safeguard, saves money.

In their preparation, vouchers may be classified according to the character of payments to be made as follows:

1. Compensation for services.
2. Payments for supplies and materials.
3. Payments for articles, materials or services furnished or performed under contract.
4. Payments for reimbursement of expenses incurred or paid.

Compensation for services is usually vouched for in the form of pay rolls. In the preparation of these care must be observed to have the general statements that are intended to apply to each individual paid, so drawn as to admit of the statement in as brief a form as possible, and provision should also be made for a statement of any special fact or facts in the nature of exceptions affecting the payment to any particular person paid. The provision for exceptions is usually made in a column for remarks. The rule of uniformity in the preparation of this class of vouchers should be observed. The general facts that are essential are very similar in all vouchers of the kind, and may be stated in most instances in the same order and in the same way. The position in which employed, the place of employment, the rate of pay, time served, amount paid, the manner of payment, the certificates of the supervising officer, and of the paying officer, may usually be stated in the same form and manner.

There are many classes of officers and employees. Some are paid by the day, some by the month, and some by the year. Some are paid for actual service only. Some are required to work so many hours a day with leave privileges. Some are masters of their own time and cannot be charged with loss of pay on account of absence from duty so long as they are allowed to hold their positions.

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Where the employment is in such form as limits the right to pay to the time actually employed the voucher should contain an affirmative statement that the person was actually employed for the time paid. Where a certain number of hours' service per day is required a complete voucher should contain a statement sufficient to show that the person or persons paid were employed for the number of hours claimed or that they were on leave.

Where the officer or employe is master of his own time no account need be taken of absence or time employed. Where employes are by virtue of their employment entitled to extra pay, either at the rate agreed upon or at an increased rate, the vouchers should contain a statement showing the extra time served.

The certificates and statements that should be contained in the various forms of vouchers are shown in Treasury Department Circular, No. 52, of 1907. With care in the preparation of vouchers on the forms there given, a complete voucher to meet most all classes of cases can be readily made up.

Probably the greatest difficulty that is encountered in making payment to employes receiving an annual or monthly compensation arises from the application of the act of June 30, 1906 (34 Stat., 763), to such payments. The primary rule that is to be observed in the preparation of pay rolls to show compliance with this act in making monthly payments, is to so prepare the roll that it will show a deduction of 1-30 of one month's pay for each day when a person is employed, but not in a pay status. If employed for less than a month the voucher should be so prepared as to show a payment of 1-30 of one month's pay for each day employed, and in a pay status reckoning each month as having exactly 30 days. It must be remembered that after an employe ceases to be employed he has no status as an employe to be considered. What he subsequently does cannot in any way affect his right to pay while in the service. We must deal with him for the time employed and have nothing to do with him after he ceases to be employed. If he is employed for a fractional part of a month we pay him 1-30 of a month's pay for each day's service. If for the entire month we pay him a month's pay less authorized deductions.

The following cases seem hard for many to understand, viz.:

A is employed in a thirty-one day month for the entire month, but is not in a pay status for one day. We pay him 29-30 of the month's pay. B is employed from the 1st to the 30th, inclusive, of a 31-day month, and then dies, resigns or is in some other way separated from the service. We pay him 30-30 of a month's pay. Each of these employes has worked 30 days in a 31-day month, but one is paid 29-30 and the other

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30-30 of a month's pay. The reason for this is that we pay one for a month's service less a deduction of 1-30 for each day he failed to render service while employed. We pay the other under the law for a fractional part of the month at the rate of 1-30 of a month's pay for each day. We can make no deduction for the 31st because the employe owes no service after he ceases to be employed, and no deduction can be made for a failure to do something he is not required or allowed to do. In the case of the one employed for whole month the note under remarks should be "not in a pay status for one day." The note in the case of the other should be "employment terminated."

Vouchers for compensation for services frequently involve the question of pay for extra services. In such case they should contain a statement showing clearly the nature of the employment and how the compensation is fixed under each employment if employed in more than one position. No payment for any other services or duties whatever can be made to an employe whose compensation is fixed by law or regulation unless he is employed in a second position with a compensation fixed by law or regulation, or such payment is specifically provided. (See Sec. 1765 R. S.) The case of J. E. Woodwell (10 Comp. Dec., 837), contains a full discussion of this question and a citation of the leading cases decided by the Supreme Court, and also opinions of the Attorney-General upon the same question.

Suit was brought in the Court of Claims by Mr. Woodwell under the facts on which the Comptroller's decision was rendered and that Court held that he could not recover. (*Woodwell v. United States*, 41 Ct. Cl., 357, 367.) The rule governing these cases and on which the decision of the Court is based was quoted from the decision of the Supreme Court in the case of *Hall v. United States* (91 U. S., 559). The Court said (p. 367):

"The rule governing these cases would appear to be but little more than a mere paraphrase of the statutes, but that is well done in the case of *Hall v. United States* (*supra*), and is as follows:

"Nor can any compensation for extra services be allowed * * * unless it appear that the head of the Department was authorized by an act of Congress to appoint an agent to perform the extra service; that the compensation to be paid for the service was *fixed by law*; that the service to be performed had respect to matters wholly outside of the duties appertaining to the office held by the agent, and that the money to pay for the extra services had been appropriated by Congress."

Vouchers for payments for supplies and materials should be so prepared as to show the manner in which the purchases

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were made. Owing to the very general language used in section 3709 of the Revised Statutes, amounting practically to a prohibition against making purchases without advertising, except in cases of emergency, an affirmative statement showing an advertising, or the reason for not advertising should be made.

This subject has been ably treated by Mr. Mattingly, a former President of this Association, in an address heretofore delivered before this Association and printed in the GOVERNMENT ACCOUNTANT, and I shall content myself with a reference thereto.

If there is no formal contract the original papers should accompany the vouchers therefor. The certificates of the ordering, inspecting, and receiving officers should of course be carefully prepared to conform to the actual facts. The general forms used in vouchers will sometimes need editing or explaining to show such exceptional facts as will necessarily arise.

Voucher for payment made for articles, materials, or services performed under contract, consist of two classes, viz.:

1. Those for partial payments or payments made on account.
2. Those for the final payments.

The first class should be so drawn as to show compliance with the contract to the extent that payment is made. The second class must be so drawn as to show complete performance. In case of a breach by either party the facts should show to what extent damages have been suffered thereby and fix the responsibility for such breaches. If the Government violates the terms of a contract it, like an individual, may become liable under its obligation in excess of the amount named in the contract. It is not usual to fix any rule in the contract itself by which the Government's liability can be measured, as is frequently done in case of the default by the other party. Liquidated damages are very frequently provided for a breach of a contract by the contractor with the Government. But a contract that attempts to liquidate the damages that a contractor would suffer in case of the default of the Government is very unusual. I can see no reason, however, why in some cases the damages resulting from the default of the Government should not be liquidated especially in cases of delay in making payment, or of interference with the work or an abandonment of it.

In preparing a voucher for final payment under a contract, care should be taken to show just what was done or omitted during the progress of the work. The contract shows what should have been done, which constitutes the obligations

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of the contract. The voucher is intended to furnish the evidence of what was done. If there is a variance between the two, an explanation or statement showing the facts that produce it should be made in the voucher, or an accompanying paper. If it appears that the work was not completed on time or otherwise in accordance with the contract, what caused this and what was the effect of it are always important facts.

Vouchers for reimbursement of expenses incurred or paid should usually be supported by sub-vouchers showing the payments and the purpose for which they were made. Where necessary the items of sub-vouchers should be explained by giving the surrounding circumstances. Care should be taken to have the original orders or papers showing the authority to incur and pay the expenses accompany the vouchers therefor.

The greater number of vouchers of this character are for reimbursement of traveling expenses. Accounts of this character have been the subject of an able paper delivered before this Association by L. O. Robbins, who has long been employed in the Office of the Auditor for the State and other Departments in auditing such accounts, and is an expert thereon. His paper is printed in the February, 1908, number of the *Government Accountant*.

In the preparation of vouchers for reimbursement it must also be remembered that a person may have authority to incur an expense, but no authority to pay it. Claims against the United States cannot be assigned and a voucher that merely shows the payment of an obligation against the Government is not sufficient to warrant reimbursement therefor. It must show that the person paying had authority to incur the expenses and pay them. The subject of the assignment of claims has been ably discussed before this Association by Mr. R. L. Golze, a Law Clerk, in the Office of the Comptroller of the Treasury. His paper is published in the February, 1908, number of the *GOVERNMENT ACCOUNTANT*.

The form of vouchers may be considered under two heads:

1. The manner in which the facts required should be stated.
2. The mechanical execution or physical characteristics.

The form of voucher which is so prepared as to contain on its face such a statement of the essentials as will require the fewest references to the back of it or to other papers is the best. Such form of voucher is easier to prepare, can be more readily examined, and the statements contained in it of a general nature are more likely to be observed and complied with in its preparation. The form should be such that all general statements of the same class will be uniform. The certificates, of various kinds, such as those showing inspection, delivery or

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receipt of the articles, the method of purchase or advertising, or emergency, or other facts of a general nature, should appear as near as may be in a uniform place.

The mechanical execution of the voucher should be such that they may be readily handled and easily filed. The final receptacles in which they are expected to repose should be kept in mind, as well as the facts that they must be frequently handled. Care in making them shapely and sizeable will save time, and the use of time saving devices of all kinds in doing the Government business is one of easiest and best ways to economize.

Classification of Expenditures for Additions and Betterments

As Prescribed by the Interstate Commerce Commission for Steam Roads in Accordance with Section 20 of the Act to Regulate Commerce.

AT A GENERAL SESSION OF THE INTERSTATE COMMERCE COMMISSION, HELD AT ITS OFFICE IN WASHINGTON, D. C., ON THE 21ST DAY OF JUNE, 1909.

Present: Martin A. Knapp, Judson C. Clements, Charles A. Prouty, Francis M. Cockrell, Franklin K. Lane, Edgar E. Clark, James S. Harlan, Commissioners.

The subject of a Uniform System of Accounts to be prescribed for and kept by carriers being under consideration, the following order was entered:

It is ordered, That the Classification of Expenditures for Additions and Betterments for Steam Roads and the text pertaining thereto, prepared under the direction of this Commission, by Henry C. Adams, in charge of Statistics and Accounts, and embodied in printed form to be hereafter known as First Issue, a copy of which is now before this Commission, be, and the same is hereby, approved; that a copy thereof duly authenticated by the Secretary of the Commission be filed in its archives, and a second copy thereof, in like manner authenticated, in the office of the Bureau of Statistics and Accounts; and that each of said copies so authenticated and filed shall be deemed an original record thereof.

It is further ordered, That the said Classification of Expenditures for Additions and Betterments with the text pertaining thereto be, and is hereby, prescribed for the use of carriers by rail (exclusive of electric railways) subject to the provisions of the act to regulate commerce as amended June 29, 1906, in the keeping and recording of their accounts of expenditures for additions and betterments; that each and every such carrier and each and every receiver or operating trustee of any such carrier be required to keep all accounts of expenditures for additions and betterments in conformity therewith; and that a copy of said First Issue be sent to each and every such carrier and to each and every receiver or operating trustee of any such carrier.

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It is further ordered, That the rules contained in said First Issue of the Classification of Expenditures for Additions and Betterments are, and by virtue of this order do become, the lawful rules according to which the said expenditures for additions and betterments are defined; and that each and every person directly in charge of the accounts of any such carrier or of any receiver or operating trustee of any such carrier is hereby required to see to, and under the law is responsible for, the correct application of the said rules in the keeping and recording of the accounts of expenditures for additions and betterments of any such carrier; and that it shall be unlawful for any such carrier or for any receiver or operating trustee of any such carrier or for any person directly in charge of the accounts of any such carrier, or of any receiver or operating trustee of any such carrier to keep any account or record or memorandum of any item of expenditure for additions or betterments except in the manner and form in said First Issue set forth and hereby prescribed, and except as hereinafter authorized.

It is further ordered, That any such carrier or any receiver or operating trustee of any such carrier may subdivide any primary account in said First Issue established as may be required for the purposes of any such carrier or of any receiver or operating trustee of any such carrier; or may make assignment of the amount charged to any such primary account to divisions, to its individual lines, or to States: *Provided, however,* That a list of such subprimary accounts set up or such assignments made by any such carrier or by any receiver or operating trustee of any such carrier be first filed in the office of the Bureau of Statistics and Accounts of this Commission subject to disapproval by the Commission.

It is further ordered, That in order that the basis of comparison between the fiscal year ending June 30, 1910, and previous years be not destroyed, any such carrier or any receiver or operating trustee of any such carrier may, during the twelve months ending June 30, 1910, keep and maintain, in addition to the accounts of expenditures for additions and betterments hereby prescribed, such portion or portions of its present accounts with respect to items of expenditures for additions and betterments as may be deemed desirable by any such carrier, or by any receiver or operating trustee thereof, for the purposes of such comparison; or, during the same period, may maintain such groupings of the primary accounts hereby prescribed as may be desired for that purpose.

It is further ordered, That any such carrier or any receiver or operating trustee of any such carrier may, in addition to the accounts of expenditures for additions and betterments hereby prescribed, keep any temporary or experimental accounts the purpose of which is to develop economies in the construction of

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additions and betterments: *Provided, however,* That such temporary or experimental accounts shall not impair the integrity of any primary account hereby prescribed; and that any such temporary or experimental accounts shall be open to inspection by the Commission.

It is further ordered, That July 1, 1909, be, and is hereby, fixed as the date on which said First Issue shall become effective.

A true copy:

EDW. A. MOSELEY,
Secretary.

INTRODUCTORY LETTER.

INTERSTATE COMMERCE COMMISSION,
BUREAU OF STATISTICS AND ACCOUNTS,
Washington, D. C., June 15, 1909.

TO CARRIERS CONCERNED:

Under date of July 5, 1907, a Tentative Classification of Additions and Betterments Expenditures, and text therefor, was issued in Accounting Series Circular, No. 11. In this official promulgation of a Classification of Expenditures for Additions and Betterments, it is proper to call attention to the following differences between this classification and that tentatively issued in Accounting Series Circular No. 11:

First. The distinction between additions and betterments has been eliminated.

Second. As the Form of General Balance Sheet Statement to be promulgated by the Interstate Commerce Commission to take effect on July 1, 1909, provides that all expenditures for new construction and for additions and betterments should be charged to the proper accounts under the caption "Property Owned as Investment," it is no longer permissible to charge such expenditures to Income, Profit and Loss, or Special Funds in such a manner as to exclude any expenditure for additions and betterments from the property accounts in the balance sheet.

Third. Accounting Series Circular, No. 11, tentatively provided that when any abandonment of property occurred, whether such property was replaced by new and improved property or not, the original cost of the property abandoned should be credited to Additions and Betterments and charged to Operating Expenses. The present classification provides that Operating Expenses should be charged only in case the abandoned property (other than land or equipment) is replaced; and the amount to be charged is now based upon *the cost of replacing in kind* the abandoned property instead of the original cost as provided in the circular.

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When property (other than land or equipment) is abandoned in the course of better or improvement work, and the cost of replacing such abandoned property in kind would, if included in a carrier's operating expense accounts for a single year, unduly burden such accounts for that year, the carrier may, if so authorized upon application to the Interstate Commerce Commission, charge such cost to an account entitled "Property Abandoned, Chargeable to Operating Expenses," which has been introduced into the Form of General Balance Sheet Statement for this purpose. The phrase "unduly burden such accounts," used above, should not be interpreted as meaning that a carrier is at liberty to make charges for abandoned property directly to Operating Expenses, or to Operating Expenses through the account, "Property Abandoned, Chargeable to Operating Expenses," in view of its financial ability to make such charges directly in one year and its inability to make such charges in another year. It should be remembered that the charges included in Operating Expenses are designed to cover the current cost of maintaining and operating the property, and that the Property Abandoned accounts are designed to cover any unusual expenditures from year to year.

In case property is abandoned and not replaced, the original cost (estimated, if not known) should be credited to the appropriate additions and betterments accounts and charged, less salvage, to the Profit and Loss Account, to which should also be charged the cost of removing old material and other incidental expenses directly connected with the abandonment.

A carrier may, if so authorized upon application to the Interstate Commerce Commission, set up depreciation accounts under the general account, "Maintenance of Way and Structures" in Operating Expenses, to which may be charged, during a series of years, such amounts as will provide for the ultimate retirement or abandonment of tracks and other structures described in the primary accounts under the general account named.

When a depreciation account is provided, the amounts charged to it should be credited to a reserve, and this reserve, instead of Profit and Loss, should be charged with the cost of the property (other than land or equipment) abandoned and not replaced.

The present classification provides that when land is abandoned, in the course of improvements or otherwise, the proper accounts under Additions and Betterments should be credited with the original cost of the land, and Profit and Loss should be debited or credited with the difference between the original cost and the amount realized from its sale, or the appraised value at which it is to be retained as an outside investment.

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The Property Abandoned account does not apply to land or equipment.

Fourth. A single account, No. 33, "Equipment," has been substituted for the several accounts formerly covering the various classes of equipment. This fact, however, does not relieve carriers from the necessity of redistributing this account in order to enable a report to be made in accordance with the detailed equipment accounts contained in the Classification of Expenditures for Road and Equipment. The text for this account provides that the cost of *all* equipment purchased, built, or otherwise acquired should be charged to Additions and Betterments without regard to replacement accruals; and that the original cost of all equipment retired should be credited to Additions and Betterments and charged to Replacement Account at the time of retirement.

It is proper that acknowledgment should here be made to the Association of American Railway Accounting Officers, and to the Committee on Corporate, Fiscal, and General Accounts, appointed by that association, for their hearty co-operation in working out the details of this classification.

HENRY C. ADAMS,
In charge of Statistics and Accounts.

GENERAL INSTRUCTIONS.

1. "Additions and Betterments," include additional structures, facilities, or equipment not taking the place of anything previously existing, and the enlargement or improvement of existing structures, facilities, or equipment, or the proper portion of the cost of new structures or facilities of an improved or higher class taking the place of others previously existing.

2. It will be noted in this connection that provision is made in the text of account No. 33, "Equipment," that all newly acquired equipment should be treated as additions and betterments whether bought to replace other equipment or as distinct additions to the property.

3. All debits and credits to accounts provided in this Classification of Expenditures for Additions and Betterments should be reclassified in accordance with the Classification of Expenditures for Road and Equipment, it being understood that all accounts affecting additions and betterments accounts should be closed finally into road and Equipment Accounts.

4. Expenditures for additions and betterments amounting to less than \$200 should be charged to the appropriate accounts under Operating Expenses or Outside Operations, except as otherwise provided in the following classification.

5. In case it becomes necessary directly in connection with betterment or improvement work to abandon any prop-

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erty, the cost of replacing the abandoned property in kind, plus the cost of removal but less the value of salvage, should be charged to the appropriate accounts under Operating Expenses. In case, however, the amount so chargeable is large, and its inclusion in a carrier's operating expenses for a single year would unduly burden the operating expense accounts for that year, the carrier may, if so authorized upon application to the Interstate Commerce Commission, charge such cost to the Property Abandoned account provided in the Form of General Balance Sheet Statement, or to the reserve account mentioned in paragraph 6.

6. When property is abandoned and not replaced, the original cost (estimated, if not known) should be credited to the appropriate additions and betterments accounts and charged, less salvage, to Profit and Loss Account, to which should also be charged all incidental expenses directly connected with the abandonment. If so authorized upon application to the Interstate Commerce Commission, however, a carrier may set up depreciation accounts under "Maintenance of Way and Structures" for the purpose of creating a reserve to which (instead of Profit and Loss) should be charged the original cost, less salvage, of the property (other than land or equipment) abandoned, and all incidental expenses directly connected with the abandonment.

7. When the use of any land, the cost of which has been included in "Right of Way and Station Grounds" account or "Real Estate" account, is discontinued or abandoned, the original cost of the land (estimated, if not known) should be credited to the appropriate accounts under Additions and Betterments and charged, less salvage from sale or other disposal, if any, to Profit and Loss. If the land is retained by the carrier, the salvage should be charged at a fairly appraised value to an appropriate account to be included in the group of accounts described under "Other Permanent Investments" in the Form of General Balance Sheet Statement.

8. When buildings, structures, or facilities of one class are converted to another class, the original cost (estimated, if not known) of such buildings, structures, or facilities should be credited to the appropriate accounts under Additions and Betterments, and the value in the capacity to which converted should be charged to the account under which the property is now classified. The difference between the original cost, plus the cost of alteration or reconstruction, if any is incurred, less salvage, and the present value of such buildings, structures, or facilities should be charged to Operating Expenses.

9. No charge should be made against Additions and Betterments for services of regularly salaried operating officials and employees unless specifically assigned to additions and betterments work. When employees of the engineering depart-

The Government Accountant. —

ment are assigned to additions and betterments work, their salaries and expenses, rent, and all other necessary expenses connected with that work should be charged to the special work on which they are engaged. In the redistribution of the expenditures covered by this Classification of Expenditures for Additions and Betterments for Road and Equipment, engineering expenses should be charged to account No. 1, "Engineering," and not to the accounts representing the specific work under construction or improvement.

10. All expenditures incident to and directly connected with additions and betterments work, such as injuries to persons or damage to property, should be charged to the account covering the particular work in connection with which the expenses are incurred.

11. This classification applies exclusively to additions to, or betterments of, existing main and branch lines and their appurtenances and equipment.

NOTE: The Form of General Balance Sheet Statement repeatedly referred to in this classification is not yet available for publication at the time this issue goes to press, and will therefore be published in a later number of *THE GOVERNMENT ACCOUNTANT*.—EDITOR.

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PRIMARY ACCOUNTS.

1. Right of Way and Station Grounds.
2. Real Estate.
3. Widening Cuts and Fills.
4. Protection of Banks.
5. Grade Revisions and Changes of Line.
6. Tunnel Improvements.
7. Bridges, Trestles, and Culverts.
8. Increased Weight of Rail.
9. Improved Frogs and Switches.
10. Track Fastenings and Other Material.
11. Ballast.
12. Additional Main Tracks.
13. Sidings and Spur Tracks.
14. Terminal Yards.
15. Fencing Right of Way.
16. Improvement of Over and Under Grade Crossings.
17. Track Elevation, Elimination of Grade Crossings, etc.
18. Interlocking Apparatus.
19. Block and Other Signal Apparatus.
20. Telegraph and Telephone Lines.
21. Station Buildings and Fixtures.
22. Shops, Enginehouses, and Turntables.
23. Shop Machinery and Tools.
24. Water and Fuel Stations.
25. Grain Elevators and Storage Warehouses.
26. Dock and Wharf Property.
27. Electric Light and Power Plants.
28. Electric-Power Transmission.
29. Gas-Producing Plants.
30. Snow and Sand Fences and Snowsheds.
31. Miscellaneous Structures.
32. Reconstruction of Road Purchased.
33. Equipment.
34. Interest and Commissions.

NOTE: The detailed instructions covering these primary accounts are necessarily omitted from these pages for lack of space; the complete text can be procured by any one interested upon application to the Bureau of Statistics and Accounts, Interstate Commerce Commission, Washington, D. C.—EDITOR.

What Does "Organization" Signify?

Organization work — like almost any other line — presents two problems which are distinctly different and about of equal importance: The machine problem and the human problem. Of the two it is a "toss up" as to which is the more important, but certain it is that the human problem is the one that is more often overlooked or considered of little importance. This lack of appreciation of a humorous situation is due either to ignorance of the existence or importance of a human problem, or enthusiasm over, or over-confidence placed in the success of the solution of the machine problem. If it is ignorance, this article will teach a new phase of organization work; if ultra enthusiasm or over-confidence, it will enlighten.

The solution of the machine problem is mainly a technical task. The problem may be one of systematizing, in which the solution may or may not be wrought out along rather clearly defined lines of study, which may be found in text books or experience of a lower order; or purely one of organization, in the solution of which much depends on natural talent and experience of a higher order. In either case the actual working out of the solution is purely a matter of technical study along well defined lines, which may be either learned through the study of such subjects as accounting, or developed to meet the particular case.

An organizer's most valuable asset is natural talent; without it, a maximum of interest cannot be had and the results obtained are in proportion to the interest displayed — other conditions being perfect.

A minimum of organization work only is successful unless the machine problem has been correctly solved; the results may be produced in exceptional cases, but they are more often the result of forcing to the limit an imperfect machine than simply keeping a perfect machine in operation.

No matter how perfectly a machine may be constructed, it is not always a producer of desired results, and right here is where the human problem becomes the all-important one, and we must delve into the personal affairs of the organizer — into the deepest recesses of his mind.

The human work presents two main features — the organizer as a man, and the timing of the work; the first again divides into the private ambitions, or self-interest of the man, and his character.

Organization is rapidly developing as a science, if it may not already be classed among the sciences, and, as such, it is at present in the research period of development except for

The Government Accountant.

some branches, such as accounting, that are more or less advanced. The organizers of today are only producing the crude results from which the organizers of the future will develop polished theories and practices.

The compensation of a man engaged in this class of work comes in three ways — personal satisfaction, reputation, and monetary consideration — of which “personal satisfaction” should be considered the greatest and “monetary consideration” the least. “Personal satisfaction” furnishes the “ginger” and self-confidence necessary for larger undertakings and greater successes; reputation — which usually brings position and rank, both in business life and the profession — greater responsibilities and better opportunities for the “ginger” and self-confidence of “personal satisfaction;” “monetary consideration” — at best a paltry consideration — the means of physical existence, and luxury in proportion to the tax of work he requires of his mind and body.

The private ambitions and self-interest of the man are to be gauged by the rating he gives to the importance of each class of his compensation. If his first thoughts are to gain personal satisfaction by successful organizing, his second thoughts for a reputation that will open to him the door of opportunity; and last, monetary consideration — striving principally for the means to maintain a reasonable standard of living, and never “selling out” his opportunities — he will probably succeed. If he is “playing to the galleries,” has no regard for personal satisfaction, steals reputation and position by such nefarious schemes as “playing to the galleries” and “feathering his nest,” for the sake of quenching an insatiate thirst for the blaze of glory, and strives for great monetary compensation to enjoy luxuries not justified by his labors, he will not obtain the maximum of real success, and eventually will drop to his proper level.

The character of the successful man must be one that readily yields to and obtains the confidence of his superiors and co-workers and extends confidence to his inferiors as well as his co-workers and superiors; that never permits unjust suspicion to rest against its possessor, who, in turn, may be cautious, but never suspicious until good judgment and weight of circumstances justify it; that abounds in loyalty and fairness, and above all, a broad, strong character that does not either crumble with failure or defeat, or bear personal grievances on account of the many obstacles to be overcome in the work, unless, in case it is not a question of judgment, but open opposition to the nature of his work, it is open battle and drawn swords.

Discretion need not be considered; it is a qualification required in all lines of work and is in no way peculiar to organization work.

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The machine problem, and that part of the human problem which deals with the organizer as a man, are mainly applicable to the devising of the system or whatever the work at hand may be; the timing of the work is the deciding of the psychological moment when installation should take effect.

Few organizations or systems will produce best results against all odds. The proper timing of the work requires a study of correlated lines, equipment, etc., or the location and elimination of all or most all points of contact where friction will be liable to arise. At times it is necessary or advisable to plan an organization or system and effect or instal it immediately — often such is the case when the psychological moment has arrived without the machine problem having been carefully solved; however, before such drastic action is taken, there should be at least a hurried study of cause and effect.

An example of failure to study and observe this feature of the human problem is found in the premature marketing of the product of what is now one of the largest typewriting concerns in the country. Whether through ignorance of its importance or ultra enthusiasm, is not known, but the machine, although it is today acknowledged one of the best machines on the market, was put out prematurely and some time was required to regain ground originally lost through precipitate marketing.

“Be sure you are right, then go ahead” may be a good rule in so far as it applies to taking no action before being certain the plan of action is correct, but it is dangerous to successful organization work not to construe the rule to also mean, take no action before being sure the right time for taking the action has arrived.

Dilatory tactics in organization work are not to be recommended, but there is a wide difference between reckless rushing and conservative action. Critical conditions require heroic treatment, but when an organization or system has done the work for years or even months — though not most efficiently or economically — the time lost in treating the case conservatively is more than offset by the permanent results to be obtained.

Caution is an element of discretion as well as good judgment and ability.

The Government Accountant

P. O. Box 27, Main Office.
WASHINGTON, D. C.

J. P. MULLER,
Editor.

B. F. HARRAH,
Associate Editor.

R. M. CHAPMAN,
Associate Editor.

N. E. WEBSTER, JR.,
Associate Editor.

AUGUST 16, 1909.

A Day's Pay for a Day's Work !

In our last issue we commented on the movement recently inaugurated by some of the present cabinet officers who are endeavoring to procure better results in their respective departments. Judging from the tenor of the various communications received by us from Government accounting employees our attitude seems to have been misunderstood. Nothing we said last month can fairly be construed as deprecating the valuable services rendered by the vast army of workers constituting the rank and file of the Federal Service upon whom falls the task of plodding day after day, year in and year out, through an immense mass of dry, routine labor, and who, in a great majority of cases, perform their tasks conscientiously, faithfully and intelligently.

It would certainly be most unjust to attempt to belittle the value of this class of employees in the general scheme of Government—only those of us who have experienced it for ourselves can appreciate the difficulty of doing full justice to a never-changing class of work—a constant mental effort, a keying up as it were, is required to keep one from becoming a mere automaton, performing one's task mechanically, and like most mechanisms, gradually slowing down.

Is it surprising then that those among us who have welcomed the various moves of the last administration for a general adjustment of grades and salaries which would automatically work an immense improvement in the financial condition of the better class of employees, and in a similar way inevitably eliminate the drones, note with regret and some alarm the apparent indifference on the part of the legislative branch to the various conditions and facts cited in the reports of the Committee on Department Methods?

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The desirable employe, whether professional or clerical, can be attracted to and held in the Government Service only by guaranteeing him:

1. A compensation which compares favorably with the salaries or wages paid for similar work and hours in commercial and industrial circles, with due reference, of course, to the prevailing standard of living expenses at Washington or other stations.

2. Reasonably safe tenure of position during efficiency and good behavior.

So long as either or both these elements are lacking no attempt at house-cleaning will ever produce any permanent results, because the ousting of a number of inefficient employes will simply create vacancies to be filled from similar material!

The great industrial and trading companies, the leading transportation agencies, and also banking and financial institutions, have long ago recognized the necessity for procuring a permanent staff as tending to produce true economy and the highest efficiency while minimizing waste effort. To hold the best men for their purposes in permanent service various means are now being employed, all intended, in the last analysis, to fulfill the two conditions quoted above.

Space forbids the extensive treatment of all of them here, but a word or two concerning the most popular measure may be in point. A large industrial enterprise depending for its continued prosperity in great part upon its trained staff of employes would, and formerly did, suffer constant annoyance and financial loss through the defection of men induced to leave its service by higher wages offered by a competitor. To respond in like manner meant simply a ruinous policy of mutually forced expense—increases without corresponding beneficial results. To cure this endless chain evil of specialized labor competition, modified pension systems were adopted, and quickly demonstrated their value, resulting in a constant broadening of the original plan. The advocates of the Pension System for superannuated employes are increasing rapidly; it does at this writing appear to be the only logical solution of many perplexing conditions in and out of the Government Service. France and Germany were forced to adopt general old age pension provisions years ago, which have worked extremely well so far. Why should the United States Govern-

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ment refuse to recognize so elemental a factor of fair dealing with its employes as that expressed in our heading, meaning in effect: "Adequate pay for efficient work"?

The Congress may yet be brought to a realization of the truth, that service rendered by competitive employes is, as a rule, in exact proportion and quality to the amount paid for it,—that the best service can only be had at the best open market prices.

Whether these be paid now in the form of more adequate salaries and by the present generation—or in the form of constantly increasing annual appropriations to old age pensions and by the generations to come—or through an ideal pension bill embodying a combination of both, with the employes as supporters or part contributors—the fact remains, that without proper remedial legislative action the well meant efforts of administrative officers will be barren of permanent results.

We believe in "a day's work for a day's pay," but we also believe in "a day's pay for a day's work."

Association Notes

The following applications were passed by the Board of Trustees of the Association of American Government Accountants at a meeting held August 12, 1909:

Active Membership.

H. W. Sawtelle, Isthmian Canal Commission, Empire, Canal Zone.

E. D. Newman, U. S. Reclamation Service, Mitchell, Neb.

Leonard A. Merritt, Department of State, Washington, D. C.

Associate Membership.

G. D. Brinkerhoff, Rock Island Arsenal, Rock Island, Ill.

S. H. Wenck, City Treasurer, Montclair, N. J.

Affiliated Membership.

J. A. McDaniel, 1601 Linden Ave., Baltimore, Md.

Association of American Government Accountants

Organized November 14, 1906

Post Office Box 27, Main Office, Washington.

OFFICERS AND COMMITTEES.

Elected at the annual meeting held May 27, 1909, to serve for one year.

Officers.

Le Grand Powers, President. (Bureau of the Census.)
Alonzo Tweedale, Vice President. (Municipal Building, D. C.)
James L. Wilmeth, Treasurer. (Treasury Department.)
E. S. Hobbs, Secretary. (Interstate Commerce Commission.)

Standing Committees.

The Chairmen of these committees are Trustees, and together with the officers form the Board of Trustees.

Editorial.

J. P. Muller, Chairman. (Interstate Commerce Commission.)

Finance.

Theo. L. De Land, Chairman. (Treasury Department.)

Membership.

C. W. Barry, Chairman. (War Department.)

Lectures and Meetings.

Chairman to be selected by the Board of Trustees at a later date.

Library.

Samuel J. Barclay, Chairman. (Interstate Commerce Commission.)

Education.

Noble Newport Potts, Chairman. (Department of Commerce and Labor.)

The personnel of these committees will be published in subsequent issues as soon as the names are announced by the respective chairmen.

The Government Accountant.

OBJECTS OF THIS ORGANIZATION:

1. To unite in one organization employes of the Federal, State and Territorial Governments of the United States of America, and of the District of Columbia, including Municipal Officers and employes of City Governments having control of or participation in accounting, including the subjects of appointment, purchase, and issue or sale, collecting and disbursing, examining and auditing, bookkeeping, statistical and actuarial subjects.

2. To encourage and facilitate the adoption of economical, expeditious, progressive, and uniform methods in handling the accounting features of the fiscal operations of the Government.

3. To provide means for the technical education and independent study of its members:

First. By promoting and encouraging the study and discussion of questions of advanced and practical accounting and adaptations and improvement of methods.

Second. By originating and disseminating original essays and papers concerning the theory, law, and practice of accounting, and encouraging the expression of individual opinion on controverted points.

Third. By providing occasional addresses on particular features of accounting, either governmental or commercial, by persons outside the Association having expert technical knowledge and experience.

Fourth. By providing a library and a catalogue of the works on accounting and kindred subjects at present available in various local libraries.

Fifth. By advocating systematic instruction in accounting and administration in schools and colleges.

MEMBERSHIP:

The membership of this Association shall consist of three classes, Associate, Active, and Affiliated.

1. Associate Members: All Government employes whose titles or duties are those of accountant, actuary, auditor, statistician, bookkeeper, cashier, chief of division of accounts, controller, disbursing officer, examiner, inspector, law clerk, or purchasing agent, and generally all those having to do with the initiation, approval, settlement, audit, and record of fiscal transactions, as well as the Government Examiners for Banking, Insurance, Transportation or Public Service Corporations, are eligible for associate membership in the Association.

2. Active Members: Such persons as shall have been satisfactorily tested as to their qualifications shall become eligible for active membership in this Association.

3. Affiliated Members: Such persons as are, or may have been, in the Government service, and are actively interested in the subject of accounting, and whose attainments in that line are such as to merit such recognition, are eligible for affiliated membership in this Association.

Association of American Government Accountants

Organized November 14, 1946

Post Office Box 27, Main Office, Washington

APPLICATIONS FOR MEMBERSHIP.

All applications by mail, for enrollment as Active, Associate or Affiliated Member should be addressed to the Secretary, P. O. Box 27, Main Office, Washington, D. C., for transmission to the respective committees.

MEMBERSHIP DUES.

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Active Membership.....\$5.00

Associate Membership..... 2.00

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Association of Government Disbursing Officers

GEORGE W. EVANS, President

SCOTT NESBIT, Secretary-Treasurer

Address all communications to the Secretary-Treasurer, in care of Coast and Geodetic Survey, Department of Commerce and Labor, Washington, D. C.

OBJECT:

The object of this organization is to increase and better enjoy social relationship between the members and by mutual help or advise to improve the efficiency of the individual as a responsible officer of the United States Government.

MEMBERSHIP QUALIFICATIONS

Any bonded officer of the United States Government whose annual disbursements reach or exceed One Hundred Thousand Dollars is eligible to membership.

National Association of Comptrollers and Accounting Officers

Organized February 14, 1906

Office of the Secretary, 280 Broadway, N. Y., Rooms 155-157

OFFICERS, 1909-1910.

**Alonzo Tweedale, President, Auditor District of Columbia,
Washington, D. C.**

**Howard C. Beck, First Vice-President, Public Accountant,
Detroit, Mich.**

**Richard M. Chapman, Secretary, Certified Public Accountant,
Department of Finance, New York City.**

S. M. Wilhite, Treasurer, Comptroller, Louisville, Ky.

VICE-PRESIDENTS, 1909-1910.

Frederick W. Carey, Auditor, Sacramento, Cal.

William McK. Evans, Accountant, Richmond, Va.

W. S. McCormick, Comptroller, Duluth, Minn.

Harry B. Henderson, State Examiner, Cheyenne, Wyo.

C. O. Lobeck, Comptroller, Omaha, Neb.

Edward E. Phelps, Chief Accountant, Pittsburg, Pa.

Edward Stetson Griffing, Comptroller, New Rochelle, N. Y.

OBJECTS OF THE ASSOCIATION:

"The consideration of improved methods of public finance and the extension of the movement for the installation of a uniform system of State and municipal accounting and reporting throughout the United States, and the promotion of legislation towards these ends."

MEMBERSHIP QUALIFICATIONS.

"All comptrollers, auditors or other accounting or fiscal officers of cities, counties and States in the United States shall be eligible to membership in the Association. Accountants regularly engaged in State and municipal accounting shall also be eligible to membership."

"Each member shall be entitled to a copy of the bound volume of the proceedings of the annual or other conventions of the Association, and to all bulletins or other special publications issued by the Association for the information and benefit of its members."

The cost of membership in the Association is Ten Dollars per annum.

U. S. Civil Service Retirement Association

P. O. Box 37, Washington, D. C.

OFFICERS:

M. F. O'Donoghue,	R. Stone Jackson, Treasurer.
President.	George W. Leadley,
Llewellyn Jordan, Secretary.	First Vice-President.
S. E. Faunce,	Jennie L. Munroe,
Second Vice-President.	Third Vice-President.

The annual fee is only twenty-five cents, barely enough to pay expenses. There are no paid officers in the Association.

A Souvenir of the Convention of 1909

Address of M. F. O'DONOGHUE to President Taft.

Mr. President: We come as delegates of the U. S. Civil Service Retirement Association to pay our respects and those of our coemployees in the classified service of the United States, numbering a quarter of a million, more or less. We come to thank you, in the first place, for the words of cheer which you gave us before you were elected to your present exalted position, and come to thank you still more for what you have said and done since. We have been taking notes, Mr. President, and we have seen that you declined to dismiss two aged employees in the Department of Justice, whose fate had been left hanging in the balance by the outgoing Attorney-General; and we beg to link with your name, Mr. President, the name of the present distinguished and humane Attorney-General, Hon. George W. Wickersham.

In a letter to you on the occasion, Mr. President, I said the Government employees, taken as a whole, were among the most intelligent and patriotic citizens of the United States. I add to that now that they are also the most loyal to its institutions and its President. No war has been fought on land or sea in which they did not take a distinguished part. And if ever the United States is assailed, either by invasion from abroad or by revolt from within, the first to rally to its banner will be the classified employees. We hold ourselves, Mr. President, to be the eyes and ears and hands of the President and his Cabinet, and, holding that, we deem it our duty to sustain them in perpetuating the splendid institutions handed down to their care by the fathers of the Republic.

The Government Accountant.

THE PRESIDENT'S RESPONSE.

Your coming is rather a surprise to me. I had not anticipated it, and, therefore, had not prepared to say anything on the subject suggested in the address of your chairman. It goes without saying that I am strongly in favor of the merit system of appointment in all Government positions.

It fell to my lot in the Philippines to institute a system even more rigid in many regards than the system adopted by the Federal Government. A necessary concomitant of that system, however—a logical accompaniment—is a provision for those who have become too old to render proper service to the Government. There has been in Congress a strong feeling against the civil pension list, on the ground, I presume, that the military pension list has been so large and heavy necessarily.

Other methods have been proposed by means of either voluntary or involuntary contributions of a percentage of the salaries paid, which should constitute a fund from which pensions, or annuities, whatever you choose to call them, should be paid to those who have reached the time fixed for their payment. Something of that sort ought certainly to be done. Now, the system has been adopted in the departments—a most unsatisfactory system—of taking those men who have reached an age when they cease to be as active and useful as they have been in the past, and reducing their salaries.

That seems to be the only method which can be substituted for proper methods. The condition is not satisfactory. I have not studied the various methods proposed with sufficient care to have a judgment that is valuable on the subject, as to what method ought to be adopted, if it is true that no civil pension list can be adopted.

All I can say is that I am in hearty sympathy with those who are seeking to find a satisfactory solution, recognizing the necessity for adding to our merit system some method by which those who through disease or age, after long service, are unable to render to the Government the services for which they were compensated when they were in active life and able to give to the Government that which the Government paid for. I thank you, gentlemen, for coming here.

We want a Retirement Bill during the present administration. Our motto is: Educate and Organize. Educate (1) The Classified Employees; (2) The Public; (3) Congress, on the great Humanitarian and Business Question of Superannuation. See McClure's, December, 1908, and other information. There may be another prize essay contest soon.

Accountants' Association of the Interstate Commerce Commission

Organized May 5, 1908

1311 G Street N. W., Washington, D. C.

OFFICERS AND COMMITTEES.

Elected at the annual meeting held April 12, 1909, to serve for one year.

OFFICERS.

Fred W. Sweney, President.
Russell H. Snead, Vice-President.
Arnold C. Hansen, Secretary.
Edward D. Myers, Assistant Secretary.
Walter V. Wilson, Treasurer.
Charles V. Burnside, Assistant Treasurer.

STANDING COMMITTEES.

Executive.

Clifton F. Balch, Chairman. George M. Curtiss.
Walter E. Burleigh. W. C. Sanford.

Program.

David E. Brown, Chairman. August G. Gutheim.
John Cruickshank. Gaston C. Hand.

Entertainment.

S. L. Lupton, Chairman.
Lewis A. Bell. William P. Bird.
C. V. Conover. Frank M. Swacker.

OBJECT:

The object of this Association shall be the discussion of topics of common interest, the promotion of efficiency and sociability among members and such other objects as may be approved by the Interstate Commerce Commission.

MEMBERSHIP:

The active membership of this Association shall be confined to Examiners, or other persons of a grade equivalent to Examiners, who are employed in the Bureau of Statistics and Accounts.

Any employee of the Interstate Commerce Commission may be elected to honorary membership.

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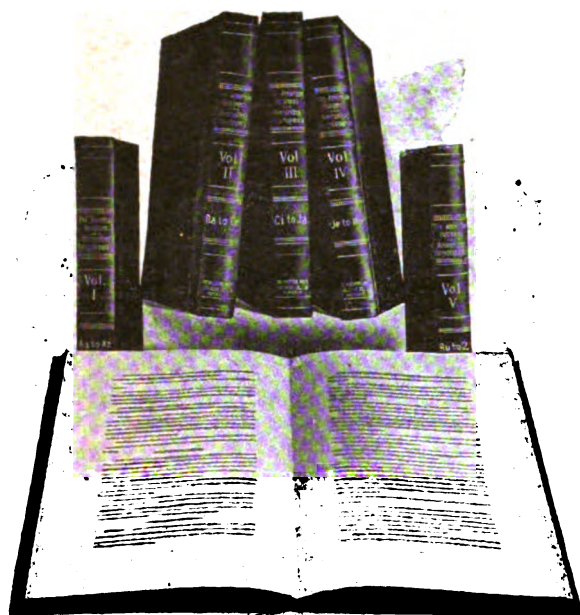
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The Government Accountant

VOL. 3

SEPTEMBER, 1909

NO. 5

The Public Accountant and Government Accounting

BY L. H. MATTINGLY

The Accounts of a City

BY RICHARD M. CHAPMAN
(PART II.)

Form of General Balance Sheet Statement

PREScribed BY THE INTERSTATE COMMERCE COMMISSION FOR
STEAM ROADS IN THE UNITED STATES

A Typewriter Without Frills

Editorial Comment--Association Notes

Official Announcements

THE OFFICIAL MAGAZINE OF

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SEPTEMBER, 1909

No. 5

The Public Accountant and Government Accounting.

By L. H. MATTINGLY, LL. M., of Marwick, Mitchell & Co., Chartered
Accountants.

(An Address delivered before the Association of American Government Accountants.)

If our subject were separable for the purposes of this discussion we should suffer from an embarrassment of material and authorities rather than, as I fear we must, from a dearth. If it were our plan to discuss public accountants and then Government accounting, without confining ourselves, as we must, to their correlation, our efforts, in the short time at our disposal, should have to be directed to condensation.

I like to think that the field for the work of public accountants in Government accounting is vastly richer in future promise than in past performance. The relations which will develop between the public and the Government accountant are as yet largely problematical and it will depend, in great part, upon the attitude assumed by this body towards public accountants whether they will be able to inject into Government accounting the good I feel they can do—the kind of good they have admittedly done commercial accounting in the past and are still doing.

In my mind public and staff accountants (of the latter of which this body is highly representative) are necessary complements one of the other. To rightly appreciate the relations which may and should exist between them, it is logical to examine into the historical evolution of each in so far only as it may have influenced or developed their several distinguishing characteristics. Such an examination, coupled with fair and practical observation, should enable us to disclose and analyze these characteristics and it is my conviction that what the training and environment of the one has denied, will be found abundantly supplied in the other, thus we shall have established them as complements, whence natural and necessary relations arise. It may be, then, that we can determine the oc-

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casions on which such relations should exist and the manner in which they should be exercised.

It is one of my most early educational recollections that I was taught when speaking of several persons to give precedence to those spoken to. I am addressing a body of Government accountants and shall, therefore, speak of them first.

Our Government financial affairs under the Continental Congress and while operating under the Articles of Confederation, were so loose and disjointed that they will not even serve us as a starting point. In organizing under that Constitution, which has since served us so well, and guided by the master mind and spirit of Hamilton, it became early incumbent upon the Congress to place our finances upon a more stable basis. No scheme of financing a Government would have been complete without provision for an accounting, so that we find that in 1789 (act approved Sept. 2, 1789, 1 Stat., 65) concurrently with the establishment of the Treasury Department a Comptroller and Auditor were provided for and their several jurisdictions defined. Important changes in the offices among which that jurisdiction was originally vested, have since been made and in some instances methods and procedure have been subjected to change but in the main the accounting officers of the Treasury Department are exercising the same jurisdiction which was originally conferred upon them. Under the act of July 31, 1894 (28 Stat., 205) there is now a Comptroller and six Auditors of the Treasury Department. In the offices and performing the detail of the duties of these officials there are in round numbers 1400 employees exclusive of messengers and laborers. We are too apt, and especially is this true in the Treasury Department where I have had but recently the honor to serve, to dismiss the subject of auditing with a survey of the offices of the accounting officers of the Treasury Department.

We, however, must not omit mention and consideration of that class of officers of whom Mr. Warwick said, in the first paper read before this Association (Govt. Acct., Vol. I, p 10), in speaking of the early period of Government accounting:

"This system as devised by the First Congress was admirably adapted to the needs of the public service. Every demand against the Government was examined by the Auditor and certified by the Comptroller. But the necessities of the service very soon required advances to officers in order that public debts might be properly settled. Here came upon the scene the original disbursing officer whose descendants are so numerous. A writer has said of them, 'Their origin was illegitimate, their growth rapid and irregular, their fees enormous, their services indispensable.'"

Section 12 of the act of July 31, 1894 (28 Stat., 209), provides that:

"All monthly accounts shall be mailed or otherwise sent to

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the proper officer at Washington within ten days after the end of the month to which they relate, and quarterly and other accounts within twenty days after the period to which they relate, and shall be transmitted to and received by the Auditors within twenty days of their actual receipt at the proper office in Washington in the case of monthly, and sixty days in the case of quarterly and other accounts."

It would be futile for me to attempt to number the army of employees who are engaged upon the work which enables administrative officers to comply with the provisions of the foregoing law. Practically every bureau in Washington has a force engaged upon this work in varying numbers and with greatly varying degrees of efficiency. The field service, too, has many men similarly employed.

The accounting officers of the Treasury Department have long since disclaimed any responsibility for or connection with the economical expenditures of the public funds but claim merely to enforce honesty among fiscal agents and a due observance of the law and in this they are probably right. In endeavoring to secure what are commonly called "results," administrative officers, who are charged with the exercise of proper economy and judgment in expenditures, have been known to express, both in words and action, a contempt for methods which were designed, if not best calculated, for the proper discharge of the duties of the Treasury accountants.

Granting honesty of purpose, which I am happy to be able to say through considerable experience, is seldom lacking in officials and employees of the Federal service, another and equally patent reason must be found for their failure to co-operate to a common end. We admitted when we organized this Association, comprised of the various elements who contribute to the work of operating the Government accounting system, that if we understood one another better, the burden of our respective duties would be lightened. How many appreciated the reason for past misunderstandings? I shall, at the risk of wounding your *amore propriere*, assert that the reason is to be found largely in the fact that the routine and volume of your own work has kept you constantly bending over your desks so that you have not had the time to occupy a vantage point, which would give you a horizon comprehending not only your own labors, but those, as well, with which they were necessarily associated. No matter how important your duties may be under the Government system of checks and balances it is but a part of what should be an integral whole. This condition is not peculiar to the Government but is present in all large enterprises acting through agents and the Government is but the largest of these.

I have had occasion to previously remark that the accounting officers of the Treasury appear to have been principally

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concerned with the integrity of collecting and disbursing officers and with enforcing the law. The Comptroller of the Treasury is the fountain head of wisdom in our accounting system. The work aside from the routine of his office is conducted by sixteen or seventeen men, in respect for whom I yield to none. It is not necessary that I should extol their abilities or what their accomplishments may be to an association which has listened to most of them from this rostrum. The annual volume of decisions published by the Comptroller is invaluable in the conduct of Departmental business and I say to you that they compare favorably with our best court reports. Under the present organization of the office and since 1894 there have been published 14 volumes with, approximately, 12,000 pages of reading matter. The law is well covered and ably discussed, but these 12,000 pages contain little matter that it helpful from any other accounting standpoint of which the law is not the alpha and omega.

Section 5 of the Dockery Act reads:

"The Comptroller of the Treasury shall, under the direction of the Secretary of the Treasury, prescribe the forms of keeping and rendering all public accounts, except those relating to the postal revenues and expenditures therefrom."

Until several years ago the occasions of record on which the Comptroller had exercised this jurisdiction, could have been counted on one's fingers and to-day in his office I do not believe that the time equal to that of one man, is fully given to accounting matters, aside from interpretations of law. It is not my purpose to disparage the law nor its importance. I merely point out indisputable facts from which I desire to draw an inference, and that inference that nowhere in the Government service to-day is there exercised a sufficient control over the entire accounting methods of the Government necessary to give them the coherency indispensable to the best results, and this conclusion I hold to be amply justified by the investigations of the Keep Commission. That commission did much in my opinion to improve methods, but a great deal yet remains to be done.

Let us now inquire into the state of preparedness in which the Government Accountant enters upon his labors. Prior to 1883 the whole Government service was a prey, to what then became known as the Spoils System, under which the sole qualification for office appears to have been service, either performed or to be performed, for some one who stood high in political councils. That system introduced to the public service many excellent servants of its weal who yet remain survivors of their fitness. The excellence of these public servants was certainly not due to the system but was in spite of it. The so-called Civil Service Act was approved on January 16, 1883, and became effective six months thereafter, on July 16.

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This law introduced the present system of competitive examinations for entrance into certain parts of the public service. Since that time and both by acts of Congress and orders of the Chief Executive, other branches of the service and grades thereof, have been put within the operation of the law, so that we now have in the subordinate positions, if we may call them such, or rather in non-presidential offices, most of the service subject to the provisions of the original and subsequent acts of Congress providing for a Civil Service. That the operation of this law is a decided improvement upon that system which pertained before its passage, is undeniable. Each and every year in the halls of Congress the law is attacked but our legislators know, while they clamor against it, that it is at one and the same time the best protection for the Government interests and for themselves against their office-seeking constituents.

The principal feature of the law is the system of competitive examinations for which it provides. The character of these examinations is left by Congress to Executive determination. Since the enactment of the law there have been varied policies concerning the scope which the examinations cover. At the present time, with which we are more nearly concerned, the general examination for clerkships, requires only the knowledge attained in a common school education. Selections are made, for the most part, without the officer making the selection having seen the aspirant for office. Many, if not most, applicants are chosen upon their papers alone. I have asserted that the knowledge required to pass these examinations is that gained in our common schools and many of those who best pass it have no further education and frequently but little experience to enhance what education they have. This, of course, we all know is not the invariable rule. There is, among our Civil Service, a body of men whose mental attainments and learning fit them to occupy far more responsible and onerous positions. We find, among them, savants in literature, science and in many of the more utilitarian professions. In this body are numbered students and masters of almost all known sciences and professions, but among a large circle of friends and acquaintances I can number but few who claim to have even the most elemental training in the theory and practice of general accounting nor does the examination, upon which they find entrance into the service, fit them especially as accountants. It is true that latterly some few examinations have been conducted by the Civil Service Commission which are aimed as an inquiry into a knowledge of accounting principles and practice on the part of applicants for certain special positions. The rule, however, is otherwise and the great body of Government accountants to-day entered the service upon a clerk's examination or were covered in by some act of Congress or order of the Executive.

I submit, therefore, that you must fairly grant me that our

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Government accountants upon their entrance into the service, however they may fit themselves by subsequent experience, are not sufficiently trained in the principles they must apply in the avocation they are to follow.

Presidential appointees are still where non-presidential appointees were prior to 1883. How ludicrous it would seem if ministers were appointed surgeons in the Army; if surgeons were appointed to positions under the Department of Justice and compelled to act as advocates in the enforcement of laws; if artists were appointed to survey our geological resources or if geologists were appointed to superintend the construction of our public buildings. The fallacy of such a course would at once appeal to the appointing power, and if not to him, to the public, and yet it causes little comment and no correction when men, who have had absolutely no prior training for their duties, are appointed to positions in the Treasury which require active direction in the application of accounting principles. I do not mean to assert that excellent men have not obtained these positions and filled them with credit to themselves and profit to the Nation, but for the most part, when they have done so, their entire experience has been gained in the offices they later graced.

Again, would it be possible that we should select our lawyers from among the laymen and train them in a profession while they were holding a position and drawing a salary requiring a knowledge which they were but acquiring?

A knowledge of accounting is not gained in a day, in a month, or in a year and, by the time, our accounting officers have attained a working knowledge of their profession, political exigency removes them to give place to some novice who, in turn, must school himself at the public expense, and so, I submit, that the presidential officer like the non-presidential appointee, comes into his position with insufficient technical training along general accounting lines. And may I add, but comparatively few set about acquiring such a training. Whether this be from lack of opportunity or of inclination, is a matter I leave to your determination.

Leaving aside a thirst for knowledge, which is generally coupled with ambition, there appears to be that lack of incentive for improvement, which is found in commercial life. Profit and loss is a gauge that has compelled many a man to put on more steam to keep up with or outdistance his competitors in the race of life.

The Government is not run for profits which can be expressed in dollars and cents, but I submit that it is run for profits which can be expressed in the increased prosperity and contentment of its people. Politically, I have never been of that contingent which demands niggardly public expenditures. My platform is generous expenditure with commensurate and practical results.

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I have before indicated to you that our departments, bureaus, offices and divisions are but component parts of a single and vast enterprise. The natural resultant, because experience shows it to be so, is a tendency on the part of these units and even of individuals, to emphasize their own importance and indispensability even at the expense of the efficiency of the whole. Few of you but what have noted the disposition to duplicate the details of work between units of organization and individuals who contribute to it. This tendency is not peculiar to the Government but is present in other large enterprises as well. In private enterprise the check is found in profit and loss; the measure is results and it is but a natural step to the means, methods, as from cause to effect.

It is not my purpose to deal specifically with historical incidents in the evolution of the public accountant as he exists to-day. I use the word "evolution" advisedly. Public accountancy, like commercial law and bookkeeping, has been a gradual growth and, within the intended compass of this paper, it would be impracticable for me to trace the history of public accounting nor has public accounting in this country yet reached a point where there is time for retrospection. The public accountant of today is making history; he has had little time as yet to study it. Suffice it to say that following Scotland and England sixteen states of our Nation have enacted laws governing, or asserting to govern, the practice of public accountancy. In effect, these laws, generally, but restrict the use of the initials C. P. A. (certified public accountant) to those who have been certified under certain conditions by the state boards created for that purpose. These laws provide for examinations to be held under the auspices of boards created by the several acts. Requirements and qualifications differ in the several states and I do not deem it useful upon this occasion to discuss their varying merits. The ranks of the professional accountant in this country, are largely recruited from those who have received the degrees, if we may call them such, of chartered accountants, etc., under the laws of Great Britain.

In Scotland it is required that one must apprentice himself to a practicing chartered accountant for a period of five (5) years. At any time after three years and upon certification of the master, the apprentice is eligible to take an intermediary examination and upon a similar certificate and after having served his full term of apprenticeship, may take his final examinations. Such examinations are searching in an extreme degree and require a knowledge of the theory and practice of general accounting, including actuarial subjects and a thoroughly practical knowledge of commercial law and economics. Upon the successful passage of all examinations, the state confers a charter which entitles its holder to append, after his name as a guarantee of his merit, the initials C. A. In England the

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law is practically the same as in Scotland, though perhaps less stringent in its application. In this country the scope of examinations given for the degree C. P. A., is largely left to the several state boards and the increased thoroughness from time to time, of these examinations is such that I have no doubt they will in time equal those of the United Kingdom. All that I have meant you to infer from this is the fact that the public accountant who enters upon his work under such guarantee, comes well trained in the technique of his work. Unlike the practitioner in law and medicine, he is required to have a practical, as well as a theoretical knowledge of his profession before he is turned loose on the public.

Let us now consider what that practice may be. Except where accountants have, through long experience, attained an eminence in certain lines and thereafter specialize as consulting accountants, the profession is best practiced in co-operation with others. The most ideal organization, being in my mind a firm of partners of ripe experience with a complete and well organized staff. So equipped, these firms are called upon to audit, and investigate accounts, and install systems in every variety of commercial enterprise known to the modern business world. The younger accountant benefits by the seasoned judgment of his seniors and the seniors enhance and broaden their knowledge in being relieved of the burden of details by their juniors. Unless a concern be in financial distress and be forced, through corruption or mismanagement, to seek the aid and advice of public accountants, it is the alive, wide awake and efficient concern which gives them employment. They thus come into contact with the brightest minds in the executive and accounting establishments of our great enterprises. No one man can hope to add vastly to the store of human knowledge. As a rule, it has not been the discoverer of scientific principles who has profited by their application.

The public accountant is not only warned by the commercial wrecks he is called upon to salvage, but as a rule, he is not slow to understand and appreciate the inventive genius of the staff accountant. He thus becomes a circulating medium of ideas and if he is sound in theory and practical in judgment, he must, in increasing proportion, as his experience lengthens, be of great service to the institutions by whom he is called upon professionally. Much might be said of the public accountant's relation to the world of commerce but this would be tiring to you and is only collaterally of moment to us in the consideration of the topic under discussion. It is unfair to attempt to compare the Governmental and the public accountant, just as I believe it is unfair to compare the officials of public and private enterprises. We should rather *contrast* them and equitably weigh their several excellencies. No one was more pained than myself by the needless discussion which

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arose some time since between an eminent public accountant and the officers of this Association upon the relative merits and demerits of public and corporate officials. It is so recent, that none of you who hear me, will have forgotten the attitude assumed by me as an officer of your Association nor have I since had occasion to abandon my convictions at that time.

If I have seemed unkindly in my comments upon the Government accountant, it is because I regard myself as of the family and therefore privileged to speak frankly.

I have pointed out to you what, in my opinion, were deficiencies of the Government accountant. In the most part, he is not responsible for them. They are a matter largely of environment. I believe you will give me credit for not contrasting the Government and public accountant invidiously.

If I have, heretofore, only inferred, I take occasion now to positively state that the Government accountant has, of himself alone and unaided, built up a system that practically insures the integrity of the public fiscal officers. As an assurance of this I can do no better than recall your attention to the able address delivered at our last annual meeting by our lately retired president.

I have pointed out to you certain essentials to the proper operation of an accounting system which are absent from the Government accountant as a class. *1st*, in the mass of detail he loses his proper perspective of the end to which he contributes. *2d*, his elementary training is such that he has not a proper foundation in technical theory. *3d*, he has emphasized the law and the enforcement of integrity at the expense of other important accounting principles. *4th*, he lacks that control which is given by the account Profit and Loss.

In commercial affairs a large part of the time of public accountants is given to audits. His value in this connection, aside from his knowledge, which enables him to undertake the work expeditiously and scientifically, is that he is independent from the considerations which might move the staff accountant, who is subject to the influences of those who manage the concern. These audits are undertaken for various motives, sometimes, to insure officers and directors of the integrity and economical administration of their colleagues or subordinates; at others, to enlist the confidence of the public and for various other reasons. With that elaborate system of checks and balances established by the present accounting system of the Government, I seriously doubt that the public accountant will be called in to conduct what is generally known as an audit, save perhaps in rare instances where entanglements have arisen in specific cases and such entanglements present practical difficulties to the Government accountant.

I asserted my belief at the outset that the public accountant would be of use to Government accounting in so far as he was the complement of the staff accountant.

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I have just attempted to epitomize under four heads the qualities not possessed by the Government accountant, and which should be and are possessed by the competent public accountant.

Having demonstrated in my opinion that these two classes of accountants are complements, it becomes incumbent upon us to inquire in what measure and manner the work of the one may be made to supplement that of the other. We have dismissed the idea that the public accountant will ever be greatly useful to the Government as an auditor of their own fiscal accounts with their several agents. Two occasions of great import to the Government system immediately present themselves to me in the consideration of this subject: *1st*, that of the employment of public accountants as advisors to the Dockery Commission in 1893 and '94 and the very recent activity of the Keep Commission, which received advice from a committee of public accountants designated by the Association representative of their body. These occasions were resultant in the most important changes in our accounting system since its first establishment and on both of them, valuable and distinguished service was rendered by public accountants. With the latter of these occasions I was, myself, more or less, prominently identified and from it I like to think I have learned a lesson.

With our great body of laws and precedents, the ordinary public accountant is necessarily at sea. It was my experience that it was the Government accountant on these occasions, who took the initiative but he was unquestionably guided and restrained by the technical knowledge of accounting principles and the good judgment and experience of the consulting public accountants. Under the arrangement made with those gentlemen, this was perfectly right and proper. Their services were voluntary and they but aimed to act in an advisory capacity. But from those relations, as I have said, I have learned a lesson and that that the public accountant, who aims to render efficient service to the Government in improving its methods, can only do so in conjunction with those who have an intimate knowledge of the peculiar conditions surrounding the public service.

I do believe that there is hardly a branch of the public service that could not advantageously employ public accountants in conjunction with their staff men for their betterment. Most of us have in mind occasions upon which certain branches of the Government service have employed independent accountants and it is my earnest conviction that results have been obtained in the exact proportion that there has been co-operation and intelligent understanding between the public and Government accountant.

Public accounting is now my chosen profession and I, therefore, feel ethically restrained from discussing in detail

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any of the occasions on which public accountants were employed. I am firmly convinced, however, that whenever their efforts have been disappointing, it is because they have either not sought or obtained proper assistance from those who are intimately acquainted with details and have thus made recommendations theoretically correct but impracticable of performance under the laws of the country.

In my discourse this evening I have not sought to flatter the Government accountant nor have I dwelt at length upon those good qualities that he possesses, *par excellence*.

In addressing you I have felt that to know one's weakness is a long way toward its remedy. I am criticising a body for whom no one would be quicker to take up the cudgels of defense. I have emphasized your weakness and but referred to your strength. In like manner you may say I have dwelt upon the knowledge and attainments of the public accountant with but bare reference to his foibles.

I do not mean, however, for you to imply that I am not conscious that the public accountant has his faults. These faults are annually discussed in the convention of the Association of American Public Accountants and they are properly discussed by such body. It is for this Association to discuss its shortcomings and had this rule been at all times observed, no occasion would have arisen for ill feeling, no matter how temporary, between the Government and public accountants.

Public accounting is an institution that has come to stay. I predict its growth and prophesy that the time is fast approaching when the Government will avail itself of the experience of those who best practice it. If I had not thought so, I should have hesitated to sever my connections with the Government and I trust that each of you will seriously consider the question upon which we have barely touched upon this evening. I wish I could more ably present it to you. I feel confident that when you do consider it, it will be with that singleness of purpose for which I believe this organization prominently stands, the patriotic betterment of the public service.

Form of General Balance Sheet Statement

As Prescribed by the Interstate Commerce Commission for Steam Roads in Accordance with Section 20 of the Act to Regulate Commerce.

AT A GENERAL SESSION OF THE INTERSTATE COMMERCE COMMISSION,
HELD AT ITS OFFICE IN WASHINGTON, D. C., ON THE 21ST DAY
OF JUNE, 1909.

Present: Martin A. Knapp, Judson C. Clements, Charles A. Prouty, Francis M. Cockrell, Franklin K. Lane, Edgar E. Clark, James S. Harlan, Commissioners.

The subject of a Uniform General Balance Sheet Statement for the use of carriers making reports to the Commission, and of the Ledger Accounts immediately pertaining thereto, being under consideration, the following order was entered:

It is ordered, That the Form of General Balance Sheet Statement, with the classification of the accounts involved in such statement and the text pertaining thereto, prepared under the direction of this Commission by Henry C. Adams, in charge of Statistics and Accounts, and embodied in printed form, to be hereafter known as Form of General Balance Sheet Statement, a copy of which is now before this Commission, be, and the same is hereby, approved; that a copy thereof duly authenticated by the Secretary of the Commission be filed in its archives, and a second copy thereof, in like manner authenticated, in the office of the Bureau of Statistics and Accounts; and that each of said copies so authenticated and filed shall be deemed an original record thereof.

It is further ordered, That the said Form of General Balance Sheet Statement, with the classification of the accounts involved in such statement and the text pertaining thereto, be, and is hereby, prescribed for the use of carriers by rail (exclusive of electric railways) subject to the provisions of the act to regulate commerce as amended June 29, 1906, in the keeping and recording of all transactions reflected in the said Form of General Balance Sheet Statement; that each and every such carrier and each and every receiver or operating trustee of any such carrier be required to keep all accounts involved in the Form of General Balance Sheet Statement in conformity therewith; and that a copy of such Form of General Balance Sheet Statement be sent to each and every such carrier and to each and every receiver or operating trustee of any such carrier.

It is further ordered, That the rules contained in said Form of General Balance Sheet Statement are, and by virtue of this order do become, the lawful rules according to which all entries in the accounts involved in such statement are defined; and that each and every person directly in charge of the

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accounts of any such carrier or of any receiver or operating trustee of any such carrier is hereby required to see to, and under the law is responsible for, the correct application of the said rules in the keeping and recording of all transactions pertaining to, or reflected in, the said Form of General Balance Sheet Statement; and that it shall be unlawful for any such carrier or for any receiver or operating trustee of any such carrier, or for any person directly in charge of the accounts of any such carrier or of any receiver or operating trustee of any such carrier, to keep any account or record or memorandum of any transactions pertaining to, or reflected in, the said Form of General Balance Sheet Statement except in the manner and form hereby prescribed: *Provided, however,* That nothing in this order shall be construed as depriving a carrier of the right to make whatever analysis of balance-sheet entries it may deem proper for the information of stockholders or of officials who have the management of its property.

It is further ordered, That July 1, 1909, be, and is hereby, fixed as the date on which said Form of General Balance Sheet Statement shall become effective.

A true copy.

EDW. A. MOSELEY,
Secretary.

INTRODUCTORY LETTER.

INTERSTATE COMMERCE COMMISSION,
BUREAU OF STATISTICS AND ACCOUNTS,
Washington, June 21, 1909.

TO CARRIERS CONCERNED:

The Form of General Balance Sheet Statement promulgated under the foregoing order will be incorporated in the Forms for Annual Report of Carriers to the Interstate Commerce Commission for the year ending June 30, 1910, unless modified by an order of the Commission before that date. In any case, carriers whose current accounts are kept in such a manner as to enable them to report on the balance-sheet statement herewith promulgated will be able to make any balance-sheet statement which the Commission may finally accept as satisfactory.

There will shortly be issued a Special Report Series Circular calling for the adjustment of assets and liabilities as of June 30, 1909, to the form of balance-sheet statement promulgated under the present order, with a view of testing its practicability and of collating all difficulties incident to its use. Any modification, should modification be thought desirable, will be made as the result of this test.

HENRY C. ADAMS,
In charge of Statistics and Accounts.

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GENERAL BALANCE SHEET STATEMENT FOR

ASSETS.

PROPERTY OWNED AS INVESTMENT :

I. PHYSICAL PROPERTY OWNED—

- 1-A. Road and Equipment to June 30, 1907—
 - (a) Road.
 - (b) Equipment.
- 1-B. Road and Equipment since June 30, 1907—
 - (a) Road.
 - (b) Equipment.
 - (c) General Expenditures.

II. SECURITIES OWNED—

- 2 Securities of Proprietary, Affiliated, and Controlled Companies—
 - Pledged—
 - (a) Stocks.
 - (b) Funded Debt.
 - (c) Miscellaneous.
- 3. Securities Issued or Assumed—Pledged—
 - (a) Stocks.
 - (b) Funded Debt.
 - (c) Miscellaneous.
- 4. Securities of Proprietary, Affiliated, and Controlled Companies—
 - Unpledged—
 - (a) Stocks.
 - (b) Funded Debt.
 - (c) Miscellaneous.

III. INVESTMENTS—

- 5. Advances to Proprietary, Affiliated, and Controlled Companies for Construction, Equipment and Betterments.
- 6. Other Permanent Investments—
 - (a) Physical Property.
 - (b) Securities.

WORKING ASSETS:

- 7. Cash.
- 8. Marketable Securities—
 - A. Securities Issued or Assumed—Unpledged—
 - (a) Stocks.
 - (b) Funded Debt.
 - (c) Miscellaneous.
 - B. Other Marketable Securities—
 - (a) Stocks.
 - (b) Funded Debt.
 - (c) Miscellaneous.
- 9. Loans and Bills Receivable.
- 10. Net Traffic, Car Mileage, and Per Diem Balance.
- 11. Net Balance Due from Agents and Conductors.
- 12. Miscellaneous Accounts Receivable.
- 13. Materials and Supplies.
- 14. Other Working Assets.

DEFERRED DEBIT ITEMS:

- 15. Advances—
 - (a) Advances to Proprietary, Affiliated, and Controlled Companies.
 - (b) Working Funds.
 - (c) Other Advances.
- 16. Insurance Premiums Paid in Advance.
- 17. Taxes Paid in Advance.
- 18. Discount on Securities Issued—
 - (a) Discount on Stock.
 - (b) Discount on Funded Debt.
- 19. Property Abandoned, Chargeable to Operating Expenses.
- 20. Cash and Securities in Sinking and Redemption Funds.
- 21. Cash and Securities in Insurance and Other Special Funds.
- 22. Cash and Securities in Special Trust Funds.
- 23. Items in Suspense.

DEFICIT.

- 24. Profit and Loss—Balance.

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STEAM ROADS IN THE UNITED STATES.

LIABILITIES.

STOCK :

- 25. Capital Stock—
 - (a) Common Stock.
 - (b) Preferred Stock.
 - (c) Debenture Stock.
- 26. Receipts Outstanding for Capital Stock.
- 27. Stock Liability for Conversion of Outstanding Securities of Constituent Companies.
- 28. Premium Realized on Capital Stock Sold.

MORTGAGE, BONDED, AND SECURED DEBT :

- 29. Funded Debt—
 - (a) Mortgage Bonds.
 - (b) Collateral Trust Funds.
 - (c) Plain Bonds, Debentures, and Notes.
 - (d) Income Bonds.
 - (e) Equipment Trust Obligations.
 - (f) Miscellaneous Funded Obligations.
- 30. Receipts Outstanding for Funded Debt.
- 31. Premium Realized on Funded Debt Sold.
- 32. Receivers' Certificates.
- 33. Obligations for Advances Received for Construction Equipment and Betterments.

WORKING LIABILITIES:

- 34. Loans and Bills Payable.
- 35. Net Traffic, Car Mileage, and Per Diem Balance.
- 36. Audited Vouchers and Wages Unpaid.
- 37. Miscellaneous Accounts Payable.
- 38. Matured Dividends, Interest, and Rents Unpaid.
- 39. Matured Mortgage Bonded, and Secured Debt Unpaid.
- 40. Working Advances Due to Other Companies.
- 41. Other Working Liabilities.

ACCRUED LIABILITIES NOT DUE:

- 42. Dividends Declared and Interest and Rents Accrued Not Due.
- 43. Taxes Accrued.

DEFERRED CREDIT ITEMS:

- 44. Operating Reserves—
 - (a) Reserves for Replacement of Property.
 - (b) Reserves for Other Purposes.
- 45. Liability on Account of Special Trust Funds.
- 46. Items in Suspense.

APPROPRIATED SURPLUS:

- 47. Surplus Reserve—
 - (a) Reserves Invested in Sinking and Redemption Funds.
 - (b) Reserves Invested in Insurance and Other Special Funds.
 - (c) Reserves Not Specifically Invested.
- 48. Additions to Property through Income since June 30, 1907.

FREE SURPLUS:

- 49. Profit and Loss—Balance.

**TEXT EXPLANATORY OF BALANCE SHEET
ACCOUNTS.**

ASSETS.

PROPERTY OWNED AS INVESTMENT.

I. PHYSICAL PROPERTY OWNED.

1-A. Road and Equipment to June 30, 1907.

This account should include the balances carried in the General Ledger showing the value of Road and Equipment as it stood on June 30, 1907, subdivided between (a) Road and (b) Equipment, when the subdivision can be accurately made.

1-B. Road and Equipment since June 30, 1907.

This account should include amounts expended and charged in accordance with the Classifications of Expenditures for Road and Equipment and Expenditures for Additions and Betterments since June 30, 1907. These amounts should be subclassified: (a) Road, (b) Equipment, (c) General Expenditures.

II. SECURITIES OWNED.

2. Securities of Proprietary, Affiliated, and Controlled Companies—Pledged.

This account should include the book value of securities of proprietary, affiliated, and controlled companies whose property is used by or forms a part of the railway system of the respondent company, which securities are pledged as collateral security for any of the respondent company's funded debt or other outstanding obligations. It should include securities of union depot, terminal, bridge, ferry, and similar companies owned by the respondent company and pledged to secure its outstanding obligations when the property of those companies is used by the respondent company in the transaction of its own transportation business.

Amounts reported in this account should be classified under the subheadings: (a) Stocks, (b) Funded Debt, (c) Miscellaneous.

See text of accounts Nos. 25 and 29 for description of items classed as "Capital Stock" and "Funded Debt." Among the items that should be classed as "Miscellaneous" are receivers' certificates and demand or short-time notes issued by proprietary companies, which do not come within the character of obligations classed as funded debt.

3. Securities Issued or Assumed—Pledged.

This account should include the book value of securities issued by the respondent company, and securities issued by other companies, payment having been assumed by the respondent company, which have been pledged as collateral for other securities issued by the respondent company.

The par value of securities reported under this caption should be included in the amount of capital stock or funded debt of the respondent company under general account "Stock" or "Mortgage, Bonded, and Secured Debt."

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Amounts reported under this caption should be classified under the subheadings: (a) Stocks, (b) Funded Debt, (c) Miscellaneous.

See text of account No. 25, "Capital Stock," and No. 29, "Funded Debt," for description of items classed under subheadings (a) Stocks and (b) Funded Debt. Under subheading (c) Miscellaneous should be grouped the balances representing issued or assumed obligations (other than stocks, bonds, or certificates of indebtedness maturing more than one year after date of issue) which are owned by the respondent company and pledged by it as collateral security.

NORM.—This account is not intended to cover securities guaranteed only.

4. Securities of Proprietary, Affiliated, and Controlled Companies—Unpledged.

This account should include the book value of unpledged securities of proprietary, affiliated, or controlled companies whose property is used by or forms a part of the railway system of the respondent company, the securities being held for the purpose of preserving the integrity of the system. There should be included under this caption the book value of investments in the securities of union depot, terminal, bridge, ferry, and similar companies when the property of those companies is used by the respondent company in the transaction of its own transportation business and said securities are in its treasury unpledged.

Amounts reported in this account should be classified under the subheadings: (a) Stocks, (b) Funded Debt, (c) Miscellaneous.

See text of account No. 2 for description of items classed as Miscellaneous.

NORM.—This account is not intended to cover securities guaranteed only, or any deemed by the respondent company as "Marketable Securities."

III. INVESTMENTS.

5. Advances to Proprietary, Affiliated, and Controlled Companies for Construction, Equipment, and Betterments.

Except as provided below, there should be included in this account all cash advances made to proprietary, affiliated, and controlled companies to enable said companies to pay for construction, equipment, and additions and betterments, which advances may be carried in open accounts by the respondent company. When the companies to which said advances are made issue notes or other securities to the respondent company for the payment of said advances, the cost of said notes or securities should be transferred from this account to account No. 2, if said securities are pledged as collateral for obligations issued, or to be issued, by the respondent company, or to account No. 4 if held unpledged.

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In case advances are made to proprietary, affiliated, or controlled companies for the purposes above mentioned, with the understanding and intention that the advances shall be liquidated by the company to which made, either in cash realized from the issuance and sale of its own securities, or by the issuance of securities to the respondent company, which the latter may sell or hold in its treasury as free assets at its pleasure, the amounts so advanced should be included in account No. 15, "Advances."

6. Other Permanent Investments.

(a) *Physical Property.*—This account should include investments in property not used for railway purposes or outside operations, such as coal and other mines, timber lands, saw-mills, hotels (not a part of the railway property) with their furniture and fittings, buildings and property used for commercial purposes; land scrip acquired for the purpose of locating upon and securing title to public lands; investments in property not used for railway purposes and for which no titles or securities for titles are held; and other property that has been acquired in anticipation of future necessity or use, but which is not at present a part of the carrier's property used in carrying on its transportation business or outside operations.

(b) *Securities.*—This account should include investments in the securities of steamship lines, express companies, or other enterprises which it is necessary or desirable for the respondent company to control or to be interested in for the purpose of maintaining the integrity of its transportation system, provided such securities be not considered "Marketable Securities" (account No. 8). This account should also include securities, not provided for in accounts Nos. 2, 3, and 4, that may be pledged in connection with mortgage, bonded, and secured debt (see accounts Nos. 29 and 33); also memberships in boards of trade and other commercial organizations when such memberships have a permanent value.

WORKING ASSETS.

7. Cash.

This account should include current funds in the hands of financial officers and agents, deposits in banks or trust companies available for use on demand, including deposits to pay declared dividends or matured coupons, and cash in transit for which agents and conductors receive current credit.

8. Marketable Securities.

This account should include the cost or book value of all securities which are held in the company's treasury unpledged and free for sale and which it is not necessary or desirable for the respondent company to hold for the purpose of maintaining the integrity of its railway system. Such securities should be subdivided to show:

A. Securities held in the treasury of the respondent com-

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pany, whether securities of its own issue or securities the payment of which it has assumed.

B. Other securities.

These securities should be further classified as stocks, funded debt, and miscellaneous.

NOTE.—The par value of securities entered under A should be included under accounts Nos. 25 and 29, "Capital Stock" and "Funded Debt."

9. Loans and Bills Receivable.

This account should include the book value of all collectible obligations in the form of loans and bills receivable or other similar evidences of money receivable on demand or within a time not exceeding one year.

NOTE.—This does not include time loans which mature more than one year after date of issue, considered as investments, or loans to proprietary, affiliated, or controlled companies, such as are described under accounts Nos. 5 and 15a.

10. Net Traffic, Car Mileage, and Per Diem Balance.

This account should include the net amounts due from other companies on account of interline freight and ticket balances and balances resulting from the interchange of cars on a per diem or a mileage basis. Amounts due to the owners of private cars for per diem or mileage on cars should be considered the same as amounts due to other railway companies.

11. Net Balance Due from Agents and Conductors.

This account should include the net balance due in current accounts from agents, and train, sleeping-car, and dining-car conductors, train auditors, porters, and others. Amounts advanced to general and special agents as working funds should not be included.

12. Miscellaneous Accounts Receivable.

This account should include amounts due for audited accounts, such as those due from the United States or other governments for transportation of mails and government property, and from express companies for express facilities furnished under contract; miscellaneous bills against other railway companies, corporations, firms, and individuals; ground rents collectible; interest collectible on bills and accounts receivable, and on mortgages, deposits, and securities; and other similar items.

NOTE.—The amount to be reported under this account is not the net balance between accounts Nos. 12 and 37.

13. Materials and Supplies.

This account should include the balances representing the value of all unapplied material, and the value of material temporarily in use and not charged out, such as articles in process of manufacture by the company; telegraph and telephone material; fuel; stationery; dining-car supplies, etc.

14. Other working Assets.

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This account should include items of working assets not covered by accounts Nos. 7 to 13, inclusive. It is intended to include asset items that have not reached the stage of audited accounts properly classed under account No. 12, "Miscellaneous Accounts Receivable," and yet have been advanced beyond the stage of accounts properly classed under account No. 23, "Items in Suspense." This account includes such items as fines imposed by postal authorities in process of collection from parties at fault; amounts due from other roads for mileage or tickets honored for which reports or accounts have not been rendered or received; advanced charges billed out on waybills not reported received at the end of the month, and similar items.

DEFERRED DEBIT ITEMS.

15. Advances.

(a) *Advances to Proprietary, Affiliated, and Controlled Companies.*—This account should include amounts advanced to proprietary and subsidiary companies for purposes other than construction, purchase of equipment, or additions and betterments, as provided for in account No. 5. It should include advances on open account for the purpose of paying interest on the funded debt of proprietary or subsidiary companies, deficits resulting from the operations of such companies, and other advances not to be included in capital account and not represented by the physical property of said proprietary or subsidiary companies.

There should also be included in this subdivision amounts advanced to proprietary, affiliated, or controlled companies to enable such companies to pay construction, equipment, and additions and betterments expenditures when it is the understanding or intention that the advances shall be liquidated by the company to which made, either in cash realized from the issuance and sale of its securities, or by the issuance of its securities to the company making the advances, which securities the latter company may sell or hold in its treasury as free assets at its pleasure, it being considered not necessary that the company receiving said securities shall hold them for the purpose of maintaining the integrity of its railway system. (See accounts Nos. 2, 3, and 4.)

(b) *Working Funds.*—This account should include amounts advanced to general and special agents, officers and employees of the engineering department, and other officers and employees as working funds from which certain expenditures are to be made and accounted for by the persons to whom the advances are made. It also includes advances to fast freight lines and union depot and other terminal companies as working funds to be used in paying the current expenses of such companies in advance of regular monthly settlements.

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(c) *Other Advances.*—This account should include other advances not properly classified under (a) and (b) above or under account No. 5, "Advances to Proprietary, Affiliated, and Controlled Companies for Construction, Equipment, and Betterments."

16. Insurance Premiums Paid in Advance.

This account should include the debit balances representing premiums paid in advance for fire, boiler, accident, plate glass, liability, and kindred insurance, to be absorbed by monthly charges to operating expenses and outside operations during the term of the insurance.

17. Taxes Paid in Advance.

This account should include the excess of taxes paid over the proportion accrued against the income of the period covered.

18. Discount on Securities Issued.

(a) *Discount on Stock.*—When stocks, included under account No. 25 at their par value, are issued or sold at a discount, the discount should be reported in this account and, if the stock is not to be retired or converted, carried on the balance sheet permanently or until extinguished by premiums realized on subsequent sales of the same class of stock. If the stock is to be retired or converted, the discount should be charged to Profit and loss or against the premium realized, if any, at the date of such retirement or conversion.

If the premium in account No. 28, "Premium Realized on Capital Stock Sold," is less in amount than the discount included in this account, it should be deducted herefrom and the net amount included in this account. If the premium in account No. 28 is greater than the discount charged in this account, the discount should be deducted therefrom and the difference included in account No. 28.

(b) *Discount on Funded Debt.*—When bonds are issued or sold at a discount they should be included in account No. 29, "Funded Debt," at their par value. The discount should be charged to Income in such equal annual installments during the life of the bonds as will extinguish the discount. The carrier may, however, at its option, charge to Profit and Loss all of the discount or any part of it remaining at any time unextinguished; but the charge to Income in any one year must not exceed the amount of the annual installment applicable to that year. The discount remaining unextinguished should be included in this account.

If the premium in account No. 31, "Premium Realized on Funded Debt Sold," is less in amount than the discount included in this account, it should be deducted herefrom and the net amount reported in this account. If the premium in account No. 31 is greater than the discount charged in this account, the discount should be deducted from the premium and the difference included in account No. 31.

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19. Property Abandoned, Chargeable to Operating Expenses.

This account is intended as a suspense account to which may be charged certain costs representing important pieces of property abandoned in the course of improvement or betterment work when the cost of such property would, if included in the operating expenses for a single year, unduly burden such accounts for that year. It is to be used only after permission of the Interstate Commerce Commission has been asked and given and is not to be applied to lands abandoned or equipment retired from service. Amounts included herein are to be redistributed to operating expenses through a period of years, the number of which will be determined when permission to use the account is granted.

To this account may be charged the costs, less salvage, of replacing in kind any of the following property: Station buildings, enginehouses, turntables, shop buildings, and terminal yards, including buildings and other structures therein, removed or abandoned in the course of replacing them with improved structures or facilities; bridges and trestles abandoned by reason of replacing them with structures of greater capacity or permanency; interlocking apparatus abandoned in the course of eliminating grade crossings or of other improvements; block and other signal apparatus replaced with improved apparatus; and fuel stations, grain elevators, storage warehouses, docks, wharves, light and power plants, and all other important miscellaneous structures abandoned in the course of replacing them with enlarged or improved property.

To this account may also be charged the cost, less salvage, of main line and sidings, including track material abandoned by reason of change of line or location; and the cost, less salvage, of rails, track fastenings, and frogs and switches released from track on account of relaying with heavier rails. For the purposes of this account the cost of replacing rails, track fastenings, and frogs and switches should be computed upon the basis of the cost of replacing the original weight of the rails, track fastenings, and frogs and switches, at the price per ton paid for the material put in anew.

This account may also include the cost of removing old material and all other incidental expenses directly connected with the abandonment of property the cost of which is included in this account.

NOTE A.—The amount charged to this account for property abandoned should be concurrently credited to the appropriate accounts under Additions and Betterments.

NOTE B.—The phrase "unduly burden such accounts," used above should not be interpreted as meaning that a carrier is at liberty to make charges for abandoned property directly to Operating Expenses, or to Operating Expenses through the account "Property Abandoned, Chargeable to Operating Expenses," in view of its financial ability to make such charges directly in one year and its inability to make such charges in another year. It should be remembered that the charges included in Operating Expenses are designed to cover the current cost of maintaining and operating the property, and that the Property Abandoned accounts are designed to cover any unusual expenditures from year to year.

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20. Cash and Securities in Sinking and Redemption Funds.

This account should include the ledger balances covering the amount of cash and the cost of securities in the hands of sinking and other funds for the purpose of redeeming outstanding obligations. Any live securities of the respondent company held by such trustees should be included in the amounts reported under the appropriate subheadings of account No. 25, "Capital Stock," or account No. 29, "Funded Debt."

21. Cash and Securities in Insurance and Other Special Funds.

This account should include the ledger balances covering the amount of cash and the cost of securities in the hands of trustees or managers of insurance funds, pension funds, and other funds that have been raised by the carrier for specific purposes (except special trust funds and sinking funds for the retirement of obligations). The amount reported in this account should agree with the amount reported in account No. 47b, "Reserves Invested in Other Special Funds."

22. Cash and Securities in Special Trust Funds.

This account should include the ledger balances covering the amount of cash and the cost of securities in the hands of trustees or managers of employees' savings funds, relief, hospital, and other association funds when such trustees or managers are acting for the carrier in the administration of such funds. If such funds are held in the carriers' treasury not invested and unidentified they should be included in account No. 7, "Cash." The amount reported in this account should agree with the amount reported in account No. 45, "Liability on Account of Special Trust Funds."

23. Items in Suspense.

In this account should be included suspense accounts showing debit balances that can not be entirely cleared and disposed of until additional information is received, such as freight claims paid when found to be correct but in advance of investigation with other carriers; charges for work done or materials furnished for which bills have not been received from the proper departments; items awaiting adjustment between accounts, such as cost of work done in advance of receipt of proper authority or appropriation; accounts covering the cost of operation of gravel pits and quarries to be apportioned on output; debit balances in "Shop Expense" and "Store Expense" accounts; also accounts to be spread over a stated term not provided for in account No. 18 or elsewhere; and debit balances in operating reserve accounts to be cleared by future charges to operating expenses.

DEFICIT.

24. Profit and Loss—Balance.

In case the debit balance in the Profit and Loss Account is less than the total of accounts Nos. 47 and 48, under the cap-

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tion "Appropriated Surplus," the amounts of these accounts should be stated in short column on the credit side of the balance sheet and the total brought down. From this total should be deducted the Profit and Loss debit balance and the net amount remaining should be extended as "Profit and Loss—Balance" under "Free Surplus." If, however, the debit balance of the Profit and Loss Account is in excess of the total of accounts Nos. 47 and 48 the amount of these accounts should be stated in short column on the debit side of the balance sheet and the total deducted from the Profit and Loss debit balance, the difference being shown as "Profit and Loss—Balance" under "Deficit."

LIABILITIES.

STOCK:

25. Capital Stock.

In this account should be entered the full amount of the capital stock issued and outstanding, whether all or any part of same is held by the public, by other railway companies, in the company's treasury, pledged or unpledged, or by the trustees of sinking or other funds for the redemption of outstanding obligations, or for other special purposes. The amounts entered in this account should be subdivided as follows:

(a) *Common Stock*.—The par value of common stock issued and outstanding.

(b) *Preferred Stock*.—The par value of first, second, or other preferred stock issued and outstanding.

(c) *Debenture Stock*.—The par value of debenture stock issued and outstanding.

NOTE.—Capital stock is considered as "issued" when certificates are signed, sealed, and placed with the proper officer for sale and delivery. All capital stock issued and not canceled is considered to be "outstanding."

26. Receipts Outstanding for Capital Stock.

When capital stock is sold, to be paid for in installments, the amounts received in such installments should be included in this account. When such stock has been paid for in full, and the receipts given for the installments paid are surrendered in exchange for regular stock certificates, the par value should be included under the appropriate subdivision of account No. 25, "Capital Stock." The premium, if any, realized on such capital stock should be disposed of as provided in the text of account No. 28, "Premium Realized on Capital Stock Sold," while the discount, if any, should be disposed of as provided in the text of account No. 18a, "Discount on Stock."

27. Stock Liability for Conversion of Outstanding Securities of Constituent Companies.

This account should include the company's liability under agreements to exchange its capital stock for the outstanding securities of constituent companies whose physical property

has been acquired under such agreements, but whose securities have not yet been surrendered for exchange.

28. Premium Realized on Capital Stock Sold.

When stocks, included in account No. 25, "Capital Stock," at their par value, are issued or sold at a premium, the premium realized should be reported in this account and, if the stock is not to be retired or converted, carried on the balance sheet permanently or until extinguished by discounts on subsequent sales of the same class of stock. If the stock is to be retired or converted, the premium should be either credited to Profit and Loss or against the discount, if any, suffered at the date of such retirement or conversion.

If the discount in account No. 18a, "Discount on Stock," is less in amount than the premium included in this account, it should be deducted herefrom and the net amount included in this account. If the discount in account No. 18a is greater than the premium credited in this account, the premium should be deducted therefrom and the difference included in account No. 18a.

MORTGAGE, BONDED, AND SECURED DEBT.

29. Funded Debt.

There should be entered in this account the full amount of funded debt issued by the respondent company and outstanding, or issued by other companies and outstanding when the payment of such securities has been assumed by the respondent company, whether all or any portion of said funded debt is held by the public, by other railway companies, in the company's treasury, pledged or unpledged, held uncanceled by the trustees of sinking funds to retire outstanding obligations issued or assumed by the respondent company, or held by the trustees of any other special funds created for the benefit of the respondent company.

The amounts included in this account should be subdivided as follows:

(a) *Mortgage Bonds.*—Bonds secured by a lien on the property of the company, except as provided in the other subdivisions of this account.

(b) *Collateral Trust Bonds.*—Bonds secured by lien on securities or other commercial paper. Stock trust certificates that are similar in character to collateral trust bonds should be included under this heading, as should also short-time collateral trust notes.

(c) *Plain Bonds, Debentures, and Notes.*—Unsecured certificates of indebtedness. Short-time notes (having a life of one year or less) given in payment of temporary indebtedness should not be included under this heading. Short-time notes secured by collateral should be classed with collateral trust bonds. Debentures should be clearly distinguished from debenture stock.

(d) *Income Bonds*.—Bonds which are a lien on a carrier's revenue alone, or bonds which, while being a lien on its road and franchises, can claim payment of interest only in case interest is earned.

(e) *Equipment Trust Obligations*.—Equipment bonds, equipment notes, or car trust notes secured by a lien on specific equipment, such lien having been created in connection with the acquisition of the equipment securing the obligation.

(f) *Miscellaneous Funded Obligations*.—All other funded obligations not provided for by the other subdivisions of this account, including real-estate mortgages executed or assumed by a carrier, and other similar obligations.

NOTE A.—Bonds are considered "issued" when they are certified by trustees and placed with the proper officer for sale and delivery. "Outstanding bonds" include all bonds issued and not canceled.

NOTE B.—This account is not intended to cover securities when the payment of either principal or interest has been guaranteed only.

30. Receipts Outstanding for Funded Debt.

When funded debt is sold, to be paid for in installments, the amounts received in such installments should be included in this account. Upon final payment of purchase price and the surrender of receipts given for the installments paid in exchange for the regular securities, the par value of the funded debt so issued should be transferred to the proper subdivision of account No. 29, "Funded Debt." The premium realized, if any, should be disposed of as provided in the text of account No. 31, "Premium Realized on Funded Debt Sold," while the discount, if any, should be disposed of as provided in the text of account No. 18b, "Discount on Funded Debt."

31. Premium Realized on Funded Debt Sold.

When bonds are issued or sold at a premium, they should be included under account No. 29, "Funded Debt," at their par value. The premium should be credited to Income in such equal annual installments during the life of the bond as will extinguish the premium. A carrier may, however, at its option, credit to Profit and Loss such premium or any part of it at any time unextinguished; but the credit to Income in any one year must not exceed the amount of the annual installment applicable to that period. The premium remaining unextinguished should be reported in this account.

If the discount in account No. 18b, "Discount on Funded Debt," is less in amount than the premium included in this account, it should be deducted herefrom and the net amount included in this account. If the discount in account No. 18b is greater than the premium credited in this account, the premium should be deducted from the discount and the difference included in account No. 18b.

32. Receivers' Certificates.

This account should include the par value of outstanding certificates, notes, or other obligations issued by receivers in

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charge of and operating the property of a carrier, and the par value of certificates, notes, or other obligations issued by receivers and assumed upon reorganization.

32. Obligations for Advances Received for Construction, Equipment, and Betterments.

Proprietary, affiliated, and controlled companies should show in this account the amounts advanced to them for construction, equipment, and additions and betterments expenditures. These amounts, if advanced by another carrier, should be reported by it in account No. 5, "Advances to Proprietary, Affiliated, and Controlled Companies for Construction, Equipment, and Betterments."

WORKING LIABILITIES.

34. Loans and Bills Payable.

This account should include the balances representing obligations outstanding in the form of loans and bills payable or other similar evidences of money borrowed, payable on demand or within a time not exceeding one year, which are not properly classed under account No. 29, "Funded Debt."

35. Net Traffic, Car Mileage, and Per Diem Balance.

This account should include the net amounts due to other companies on account of interline freight and ticket balances and balances resulting from interchange of cars on a per diem or a mileage basis. Amounts due to the owners of private cars for per diem or mileage on cars should be considered the same as amounts due to other railway companies.

36. Audited Vouchers and Wages Unpaid.

This account should include the amount of audited vouchers of accounts and audited pay rolls unpaid on the date of the balance sheet. It should include unclaimed wages and outstanding pay and time or discharge checks issued in payment of wages.

37. Miscellaneous Accounts Payable.

There should be included in this account unpaid and outstanding drafts drawn by station agents, unpaid and outstanding drafts drawn on the company in settlement of freight claims, conductors' rebate and extra-fare checks not presented for redemption, meal checks and tickets outstanding, deposits of controlled companies, and other items of the nature of demand liabilities not covered by accounts Nos. 34, 35, 36, 38, and 39.

NOTE.—The amount to be reported under this account is not the net balance between accounts Nos. 12 and 37.

38. Matured Dividends, Interest, and Rents Unpaid.

This account should include the amount of dividends payable on capital stock and unpaid, uncalled for, or unclaimed at the date of the balance sheet, including dividends payable

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on the first day of the month following that for which the balance sheet is made; the amount of matured and unpaid interest on the funded debt of the respondent company, and of other companies when payment has been assumed by the respondent company, including interest which matures on the first day of the month following that for which the balance sheet is made; unpaid dividends on the stock and unpaid interest on the funded debt of other companies when same are payable by the respondent company as all or a portion of the rent due under leases; and all other rents due under leases which have become payable.

39. Matured Mortgage, Bonded, and Secured Debt Unpaid.

This account should include the amount of matured mortgage, bonded, and secured debt payable but not yet paid, including bonds drawn for redemption through the operation of sinking and redemption fund agreements. Obligations which mature on the first day of the month following that for which the balance sheet is made should be included in this account.

40. Working Advances Due to Other Companies.

Proprietary, affiliated, and controlled companies should include in this account the amounts advanced to them for general purposes, such as advances to pay interest on their funded debt not included in account No. 33, "Obligations for Advances Received for Construction, Equipment, and Betterments," deficits resulting from their operation, and advances for construction, equipment, and additions and betterments, when such advances are made under the conditions stated in account No. 15a, "Advances to Proprietary, Affiliated, and Controlled Companies," and when that account is used to report the advances by the company making them.

41. Other Working Liabilities.

This account should include items of working liabilities not covered by accounts Nos. 34 to 40, inclusive. It should include liability items that have not reached the stage of audited liabilities and become actually payable, yet are obligations of the company and advanced beyond the stage of accounts properly classed under account No. 46, "Items in Suspense," such as retained percentages due contractors to be paid on completion of contracts; deposits for construction of side tracks, to be refunded on the basis of an agreed percentage of the earnings from the traffic handled over the tracks; pre-paid charges billed out on waybills not taken into the month's accounts; and other similar items. It should include also balances to the credit of employees' savings funds, and relief, hospital, and other association funds when such funds are held unidentified in the carrier's treasury and are included in account No. 7, "Cash."

ACCRUED LIABILITIES NOT DUE.

42. Dividends Declared and Interest and Rents Accrued, Not Due.

This account should include the amount of dividends on capital stock, interest on funded debt, including interest on funded debt assumed, and rents under leases, accrued to the date for which the balance sheet is made but not payable until after the first day of the following month. There should be included also as "rents accrued" the amount of accrued dividends on the stock and accrued interest on the funded debt of other companies when such dividends and interest are paid as all or a portion of the rent under leases from those companies.

43. Taxes Accrued.

This account should include the amount of taxes accrued and charged against income in excess of the amount paid. When the respondent company leases the property of another company and, under the terms of the lease, agrees to pay or assume the taxes that may be levied upon or assessed against such property, the taxes accrued on such property should be included in this account and not in account No. 42. When, however, the taxes are paid by the lessor company, the full amount of cash rent to be paid by the lessee should be included in account No. 42.

DEFERRED CREDIT ITEMS.

44. Operating Reserves.

This account should include the ledger balances in the reserves created to cover past depreciation of property; reserves created since July 1, 1907, by charges to Operating Expenses to cover accrued depreciation of equipment and of way and structures when a plan for such purpose has been adopted by the carrier; reserves created by charges to Operating Revenues or to Operating Expenses to provide for overcharge, personal injury, insurance, and other claims; and similar reserves. The credits in this account should be subdivided as follows:

- (a) Reserves for Replacement of Property.
- (b) Reserves for Other Purposes.

The credit balance in sinking fund reserve account should not be included in this account. See account No. 47a, "Reserves Invested in Sinking and Redemption Funds."

45. Liability on Account of Special Trust Funds.

This account should include the ledger balances covering the amount of cash and the cost of securities in the hands of trustees or managers of employees' savings funds, relief, hospital, and other association funds, when such trustees or man-

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agers are acting for the carrier in the administration of such funds. The amount reported in this account should agree with the amount reported in account No. 22, "Cash and Securities in Special Trust Funds."

46. Items in Suspense.

Under this caption should be included suspense accounts showing credit balances that can not be entirely cleared and disposed of until additional information is received, such as collections by general agents and others to cover prepayment of shipments originating on lines of other carriers; amounts realized from sale of damaged, unclaimed, and over freight and held pending claim; switching charges of other carriers collected and held awaiting bills from such carriers; amounts received from sale of mileage tickets to be disposed of as mileage is honored by the respondent or other carriers; amounts collected for milling-in-transit privileges, to be cleared when products are shipped; credit balances in "Shop Expense" and "Store Expense" accounts; and other similar items.

APPROPRIATED SURPLUS.

47. Surplus Reserves.

In this account should be grouped all appropriations of surplus (except as covered by account No. 48), including unexpended balances of appropriations for additions and betterments. The account should be subdivided under the following heads:

(a) Reserves Invested in Sinking and Redemption Funds.

Amounts charged against Income Account for sinking fund payments; accretions to sinking funds in the hands of trustees; also amounts realized and turned over to sinking fund trustees or used in the purchase of outstanding obligations either by sinking fund trustees or by the respondent company, when such sums are realized from other sources than the company's income. All credits to this account to cover amounts turned over to sinking fund trustees, and all accretions to sinking funds collected by trustees should be debited to the account with such trustees in account No. 20.

(b) Reserves Invested in Other Special Funds.

(c) Reserves Not Specifically Invested.

48. Additions to Property through Income since June, 30, 1907.

This account should include the cost of property acquired by expenditures of appropriations from Income since June 30, 1907, whether such expenditures are for new lines or for additions and betterments to existing lines. The amount standing to the credit of this account should be included in the amount reported under account No. 1-B, "Road and Equipment since June 30, 1907."

FREE-SURPLUS.

49. Profit and Loss—Balance.

This account should include the balance, if any, standing to the credit of the Profit and Loss Account.

When there is a debit balance in the Profit and Loss Account, but such balance does not exceed the total credit balance of accounts Nos. 47 and 48, the latter are to be stated in short column, the total brought down, and the debit balance of account No. 49 deducted therefrom, the difference being extended to the total column as the net appropriated surplus. When the debit balance standing in account No. 49 exceeds the total credit balance of accounts Nos. 47 and 48, the accounts are to be stated as prescribed in the text of account No. 24.

A TYPEWRITER WITHOUT FRILLS.

Readers of *THE GOVERNMENT ACCOUNTANT*, noting the Royal Typewriter advertising which begins in this issue, will be interested in gathering a more intimate knowledge of this unique member of the typewriter fraternity, "the typewriter without frills." Of recent years the development in the typewriter industry, while noteworthy in some respects, for the most part has been along the line of added attachments, complicated mechanisms and devices designed to impress the buyer, without adding real value to the typewriter.

The selling price of one hundred dollars was established when the first typewriter was built, and has been constantly maintained up until the last two or three years, notwithstanding the great spread of the industry and consequent decrease in cost of manufacture and marketing. The typewriter is perhaps the only article of its kind, such as the watch, the bicycle and the sewing machine, on which the selling price has not been reduced proportionately with the reduction of manufacturing and selling expense. The ability of typewriter manufacturers to maintain the originally fixed price has been due, doubtless, to a close combination of interests, which, until recently has dominated the industry. Instead of reducing the price in response to the popular demand, the policy has been to throw a sop to the public in the way of the attachments, devices and mechanisms referred to in our first paragraph. These makeshifts cost but a few cents to build, and by raising a vigorous hue-and-cry concerning the number and variety of attachments carried by their machines these manufacturers actually succeeded for a number of years in controlling the market and holding their hundred-dollar price. "What will they add next?" became a frequent expression upon beholding a "new model" of one of the long established machines, loaded down with a very impressive assortment of so-called "labor saving devices," all tending to bewilder the operator, complicate the parts and subtract measurably from the working life

of the machine. After a careful analysis of the situation it is obvious that these attachments, now known in the typewriter trade as "frills," serve mainly one purpose, *i. e.*, to furnish an excuse to the manufacturers for upholding their prices.

It is with a real sense of relief that one turns from these conglomerations of "labor savers," which save labor only at the expense of far more important considerations, to a typewriter of a new school, one so radically different from the common run of typewriters as to command instant recognition. The manufacturers of the Royal Standard Typewriter have come to the aid of a long suffering typewriter-using public with a machine so simple, so strong, so complete and yet so far from complicated and at a price so manifestly reasonable, that one actually feels called upon to thank them for what they have done. Their slogan, "All that is necessary, and nothing more," is literally exemplified in the machine itself. They have studiously avoided every suggestion of complication; every component part bears to its fellow parts the most simple relationship. The machine has a sturdy, vigorous, self-reliant air, as though to say, "I'm here for work and lots of it. Don't be afraid to pile it on. You can't hurt me." The absence of "frills" is noticeable; the machine has a clean, rugged, honest look; the purpose of every part is instantly apparent—in fact, it could be placed before any operator and put into immediate use without a word of explanation.

A technical study discloses that the manufacturers of the Royal have employed an entirely new principle of construction—that is, new to the typewriter industry, though in mechanics as old as time and as well known as the law of gravitation. This is the principle of "tensile strain," the principle of *pulling* instead of prying or pushing. So simple and so effective is this principle, as applied in the Royal Standard Typewriter, that one pauses to wonder why it has never before been employed. Doubtless the same stubbornness or perversion of business instincts which has for years upheld the hundred-dollar price will account for the failure of other typewriter manufacturers to adopt the excellent mechanical principles now embodied exclusively in the Royal.

The Royal Standard Typewriter was placed upon the market about three years ago with the announcement of a business policy so astounding to the others in the field as to call forth immediate and numerous prophecies of an early demise. That any group of sane business men should deliberately proceed to market a high grade typewriter at what they termed "the ridiculous figure" of *sixty-five dollars* was a matter entirely beyond the comprehension of the old hundred-dollar houses. A cut of five or ten dollars in the price would not have been so bad, but to slice off *thirty-five dollars* at a single stroke, thus exposing to the public the exorbitant profits the old-timers had been taking, that certainly was "going the limit." Something must be done, and quickly, for the public

would not be long to see the state of affairs. Therefore, either the Royal must be driven out of the market, or the hundred-dollar price must go. Naturally, the former course was decided upon. The campaign of vituperation which followed is too recent to require recitation at this time. Sufficient to say that it ran the entire gamut of slander and abuse, beginning with the statements that the Royal Typewriter Company was "merely a stock jobbing proposition," that it had no money to operate with, that the machine was no good and would not "stand use," and ending finally with the laughable assertion that the Royal is too good a machine to sell for sixty-five dollars and therefore the company could not last much longer!

The campaign failed dismally, for not only did the Royal stay in the market, but it flourished amazingly. At this time it occupies the most attractive and best equipped office quarters in thirty-one leading cities of the United States, and is represented in practically every country in the world, being particularly strong in Europe and South America. Its home office building on Broadway, New York, and its factory building at Hartford, Connecticut, are marvels of richness and beauty. The output of the factory is constantly being increased, and the product is being sold faster than it can be furnished. The Royal Standard Typewriter has won its way into the offices of greatest banking, commercial, insurance and educational institutions of the world and, side by side with the hundred-dollar product, is making daily demonstrations of its greater capacity and its greater worth.

Driving the Royal from the market having proved an impossibility the alternative of cutting prices still remained, and, much to their displeasure, the hundred-dollar makers were finally forced to it. Secretly at first, in the way of "special discounts to large users" and "extra allowances for old machines," then more openly, and finally in the open market, cutting and slashing, "anything to beat the Royal," down went the price. But not to every buyer was the same reduction made, so that now the price of a so-called hundred-dollar typewriter depends entirely upon the bargaining abilities of the purchaser, and there are nearly as many prices as there are purchasers. Through it all the Royal clung steadfastly to its original price of sixty-five dollars to all alike. "Clung" is too strong a word; in fact, there never has been a suggestion of "clinging," for not even the most parsimonious could ask a reduction of this eminently reasonable price, considered with the exceptional and undisputed *value* given in return.

So, as before stated, it is a genuine relief to know that there is on the market a typewriting machine without "frills" for price-making purposes only, of which the mechanical principles are correct and reliable, and the manufacturers of which are men of principle and purpose whose determination to conduct their business on a basis of fair and honorable dealing is bringing them success in a measure richly deserved.

The Accounts of a City.

By RICHARD M. CHAPMAN, C. P. A.

(Continued.)

SYNOPSIS OF PRECEDING NUMBER.

The Development of Municipal Accounting:—Changes in Method and Procedure Contemplated. Merits of former expedients. Scope of thesis. Governing distinctions. Form of presentation and illustration of subject adopted. Appropriation funds and provision therefor.

THE CITY TREASURY.

ENTRY 3.

Journal.—(Continued.)		
Receiver of Assessments.....	\$772,806.24	
To Assessment Funds.....		\$772,806.24
Aggregate of periodical entries.		

For assessments confirmed by constituted authority and levied against property benefited by street openings, grading, paving, sewers, and other local improvements (to provide for the interest and redemption of assessment bonds previously issued to provide money for the performance of the public work), as per assessment rolls transmitted and charged to the receiver of assessments for collection.

The special titles of the several funds and amounts levied for each here follow and are opened in and posted to the Assessment Fund Ledger.

The terms "taxes" and "assessments" are frequently used interchangeably, both being imports, liens upon real estate, and possessing the same radical meaning. In the City of New York, however, a different meaning attaches to each, as follows:

The term "taxes" is used to designate the impost levied annually upon all property within the City at a uniform or approximately uniform rate in all sections thereof, to meet the general expenses of the city government provided for in the annual budget.

The term "assessments" is used to designate those imposts levied from time to time upon specific property immediately benefited by local improvements, and constituting a reimbursement to the city treasury for money expended in permanent public work, which enhances only local values and is consequently levied only against the locality immediately affected.

Such work, after preliminary hearing and final authorization, is financed by the sale of assessment bonds, and the expenditures are charged to assessment bond funds; and not until the work is completed and accepted are the assessments levied, confirmed, and entered. At such time the actual cost of the work is known, including the cost of initial proceedings, preliminary surveys, awards for damages, and all contracts performed, and each of said elements with interest thereon from the date of outlay to the determined due date, is included in the whole amount to be assessed against the property benefited.

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The account entitled "Assessment Funds" is the controlling account of the assessment fund ledger, which contains the specific assessment funds operated. These funds consist of trunk funds under such broad titles as,

Street Improvement Assessment Fund.

Street and Park Opening Assessment Fund.

Grading and Paving Assessment Fund.

Sewerage Assessment Fund, etc.,

each of which controls a group of specific assessment funds under titles descriptive of some particular work, as for instance, "Grading and Paving First Avenue from the North Side of Sixth Street to the South Side of Seventh Street;" and while new specific funds are continually being opened by new assessments confirmed and old ones are continually being closed by the full collection of their respective assessment rolls, the trunk funds go on forever, and constitute what are sometimes called "rolling accounts," suggestive of their endless revolution.

These funds are credited with the assessments confirmed (as shown in the foregoing entry No. 3), and are charged with the assessments collected, so that the balances at all times equal the sum of the uncollected items on the assessment rolls.

The charges to these funds involve two entries, namely, one in the general books charging the city treasurer and crediting the receiver of assessments (see entry No. 5), and the other in the assessment fund books (inter se), charging each specific fund and crediting assessment fund cash accounts complementary to each trunk fund.

The interest on and redemption of assessment bonds are charged to the assessment fund controlling account in the general books, and to the trunk funds and cash accounts on the assessment books by warrants drawn (see entry No. 10), and completes the circle.

As the assessment funds (trunk and cash accounts) have to meet the interest as well as the principal of the assessment bonds, the interest on assessments, which all carry, also collected by the receiver of assessments as a current accrual and coming through miscellaneous revenue, is also credited to said funds (see entry No. 7), and where the city assumes half or other proportion of the cost of any local improvement the assessment fund is also credited with the city's share, which is charged to deficiencies in assessments, to be liquidated by appropriation, special revenue bonds, or other suitable provision.

In New York it is the custom to credit the proceeds of assessment bonds and charge the cost of work to improvement fund cash accounts, and afterward to also credit the assessments and interest collected and charge the bond redemptions and interest to the same accounts, so that the initial funds and outlay will be followed by the reimbursements and redemptions under the same title. This practice is attributable largely to

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the existence of other elements, such as the replenishment of the improvement funds by appropriation to cover extensive initial proceedings and preliminary surveys, and the carrying on of work far in advance of prospective reimbursements therefor. But in the writer's opinion the distinction between bond funds and assessment funds is of sufficient importance to warrant their segregation under separate titles throughout the entire action of the accounts.

Before proceeding it is proper to note that where the sinking fund has, under special laws, assumed the redemption of any assessment bonds, the collections of all assessments, interest and penalties thereon, which are applicable to the redemption of said bonds, become thereafter revenues of the sinking fund into which they are paid, instead of as normally into the city treasury.

ENTRY 4.

7. Receiver of Water Rates.....	\$976,550.07	
13. To Special Funds.....		\$976,550.07

Specific Fund "Water Revenue and Maintenance."

(Aggregate of annual, periodical and casual entries.)

For frontal rentals, meter rates, and special permits for water consumption, imposed upon the properties receiving the service or supply, and registered upon annual, periodical, and casual rolls prepared by the Water Department or other constituted authority, and transmitted and charged to the Receiver of Water Rates for collection.

The water rates provide funds for maintaining the water system and meeting the interest on and redemption of water bonds. They are accordingly credited to a specific fund entitled, "Water Revenue and Maintenance," and the expenditures from said fund, by warrant, are primarily for water maintenance and interest on water bonds, while incidentally any surplus revenues applied to the redemption of water debt may be expended directly in meeting current maturities or be transferred by deposit of warrants to the credit of the sinking fund assuming such redemption, where it will appear among the sinking fund revenues as water rates pledged.

The fund entitled, "Water Revenue and Maintenance," is one of a class of funds which, not coming under the category of either appropriation, assessment, bond, trust, general, or sinking funds, are designated "Special Funds," and the account (13) bearing said title is accordingly the controlling account of the Special Funds Ledger, wherein such class of funds are contained and conducted under specific titles indicative of their respective character and purpose.

ENTRY 5.

18. City Treasurer. To Sundries.....	\$23,766,305.16	
5. Receiver of Taxes.....		\$7,379,188.63
6. Receiver of Assessments.....		696,338.69
7. Receiver of Water Rates.....		885,941.02
8. Collector of Arrears of Taxes.....		1,453,049.42
9. Collector of Arrears of Water Rates.....		77,140.14
10. Bond Funds		10,154,590.39

The specific titles of the several bond funds and the amount credited to each here follow and are opened in and posted to the Bond Fund Ledger:

17. Miscellaneous City Revenues.....	\$3,120,056.87
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The specific titles of the several revenue accounts and the amount credited to each here follow, and are opened in and posted to the Miscellaneous City Revenue Ledger:

(Aggregate of periodical entries.)

For payments into the City Treasury of moneys received and deposited by the several receiving and collecting officials, and by city departments, as per periodical returns rendered and confirmed by monthly accounts current, which moneys are credited to the several sources whence received, and charged to the city treasurer, who is liable therefor, under surety bond, until credited by payments upon duly audited vouchers or by balance of account turned over to and acknowledged by his successor in office after proper audit and certification.

The monthly accounts current rendered by the receivers and collectors state the specific year's rolls for taxes and water rates, and the specific titles of the assessment rolls to which their collections severally apply, and also state upon schedules the titles and amounts of uncollected imports in trial balance form, the aggregates of which latter must agree in each instance with the declared or resultant balance of the respective receiver's or collector's controlling account.

For the purpose of affording a primary classification that will be at once both simple and significant, and readily lend itself to succeeding amplifications without occasioning either ambiguity or conflicting premises, the receipts of money into the city treasury come under three general heads, viz:

1. *IMPOSTS*: consisting of the flat taxes, assessments and water rents liquidated or discharged upon the respective rolls, and covering items 5, 6, 7, 8 and 9 of the foregoing entry.

2. *LOANS*: consisting of the proceeds from sale of bonds, comprising "Permanent Loan" or long term bonds issued for public buildings, schools, waterworks, bridges, parks and other general city improvements, the burden of which is to bear upon posterity; "Assessment Bonds" issued to finance local improvements, and redeemable by assessments to be levied upon the property benefited; "Special Revenue Bonds" issued to meet deficiencies in appropriations consequent upon emergency demands not foreseen at the time of making the budget, and redeemable by provision therefor in the succeeding year's tax levy; and "Revenue Bonds Issued in Anticipation of the Collection of Taxes" payable from said taxes when same are collected; said several classes of loans covering the above item numbered 10.

3. *MISCELLANEOUS CITY REVENUE*: consisting of every other source of income or revenue not included under imposts or loans, and comprehending interest and penalties on taxes, assessments and water rates; premiums on bonds; interest on deposits of city treasury moneys; overpayments to city and refunds to city of overpayments on payrolls, contracts, etc.; reimbursements for services rendered by city departments;

The Government Accountant.

surety deposits; pension funds and other receipts in trust; franchise, bank, excise and other special taxes; licenses, privileges, permits, tolls, commissions, fines, fees, penalties, costs; sales of sites, buildings, old materials, and manufactured wares; and every conceivable revenue by whatsoever official or department collected, and for whatsoever purpose received (excepting only and always revenues of the sinking fund and overpayments of imposts); and whether in trust, available for the general fund, or constituting income of special funds and subject to related expenditures; covering the above item numbered 17.

At the end of a fixed period, after entry of each year's taxes and water rates, the tax and water rolls in the uncollected amount of each are transferred from the respective receivers to collectors of arrears by credit to the former and charge to the latter, thereby clearing the accounts of the receivers with respect to said year's imposts and reopening the charge under and against the collectors, who will accordingly receive credit for all collections of said rolls thereafter made until the rolls are fully liquidated by realization, cancellation or other final disposition. Inasmuch, however, as the annual charge which characterizes the taxes, and, in a measure, the water rates, does not obtain in the movement of assessments, which, on the contrary, move from day to day as new rolls are confirmed, the receiver of assessments is also the collector of assessment arrears, and collects each specific roll from the first to the last item therein.

The account entitled, "Bond Funds" (10) is the controlling account of the Bond Fund Ledger, which contains the specific corporate bond funds (permanent loans), assessment bond funds, special revenue bond funds, and revenue bond funds in anticipation of the collection of taxes, all of which are therein operated under titles indicative of the precise purpose or purposes for which said funds are each created.

The account entitled, "Miscellaneous City Revenues" is the controlling account of the Miscellaneous City Revenues Ledger, wherein the miscellaneous receipts are collated and classified under titles descriptive of each of the various kinds of revenue, and of the application thereof to appropriation, assessment, bond, trust, general, and special funds, to which it is thereafter transferred as more specifically shown in entry 7. The purpose of this ledger is primarily to bring within one volume and under the control of one account all and singular the multitudinous and varied incidental and accidental revenues of the city, and after effecting a significant classification, serviceable analysis, and orderly sequence, to show their application to the several purposes which their respective nature or the ordinances of the city prescribe.

(To be continued.)

The Government Accountant

P. O. Box 27, Main Office.

WASHINGTON, D. C.

J. P. MULLER,
Editor.

B. F. HARRAH,
Associate Editor.

R. M. CHAPMAN,

Associate Editor.

N. E. WEBSTER, JR.,

Associate Editor.

SEPTEMBER 26, 1909.

A Long Pull and a Strong Pull—All Together!

At the quarterly meeting of the American Statistical Association, held on September 24, at the Ebbitt House in Washington, D. C., Dr. E. Dana Durand, Director of the Census, outlined in a comprehensive manner the program of his Bureau for taking the 13th Census of the United States. Great stress was laid by him, as well as several other speakers of the evening, upon the necessity of procuring reliable field men to gather the material, and Dr. Durand pointed out a number of subjects, such as Mines, Manufactures and Agriculture, which result in guesses, no matter how intelligently and carefully the enumerators may work, simply because no uniform records are kept by a great majority of the people from whom the facts must be secured, and in some instances no accurate records of any kind are available.

This condition is pretty well known and understood in statistical circles, and the efforts of one man or a small group of men will ever be unavailing to change it; only a persistent campaign of education, such as will visibly demonstrate the value of a little bookkeeping, no matter how primitive its nature, to every citizen of these United States, will provide a remedy.

The man who lives blindly from day to day, be he farmer, clerk, mechanic, professional or business man, rarely secures a competence as the reward of his toil; invariably the ones who rise from the ranks and become capitalists, great or small, do so by the early adoption of some definite plan of utilizing current earnings, which is bound to involve a certain amount of bookkeeping.

No enterprise conducted for financial gain can be success-

The Government Accountant.

fully carried on unless records are kept from which it may be readily seen which operations yield a profit and which result in loss; likewise the extent of each, to the end that unprofitable ones may be discontinued and profitable ones made more so by the elimination of waste effort.

It is quite a step, however, from bookkeeping, *i. e.*, recording each day's transactions as they occur, to higher accounting as practised today, brought into existence by the enormous industrial and commercial developments of the past 15 years and involving extensive analysis and statistical grouping of the original records.

We fully agree with Mr. L. H. Mattingly, whose article appears in this issue, in so far as he considers a harmonious combination of Public and Staff accountants essential to procure greater uniformity and better methods of accounting, in Public as well as Governmental work, and we are pleased to state that the Certified Public Accountants in all parts of the United States are showing the right spirit in ever increasing numbers by taking an active interest in the affairs of THE GOVERNMENT ACCOUNTANT and in the various Governmental Associations this organ represents.

The field is immense, and the task before us stupendous! Intelligent supplementing of mutual efforts by the two great groups of Accountants will procure correspondingly great results, and will permanently establish accounting as a profession in this country equal in importance and public standing to the position it now occupies in the old world.

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OBJECT:

The object of this organization is to increase and better enjoy social relationship between the members and by mutual help or advise to improve the efficiency of the individual as a responsible officer of the United States Government.

MEMBERSHIP QUALIFICATIONS

Any bonded officer of the United States Government whose annual disbursements reach or exceed One Hundred Thousand Dollars is eligible to membership.

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Organized February 14, 1906

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"The consideration of improved methods of public finance and the extension of the movement for the installation of a uniform system of State and municipal accounting and reporting throughout the United States, and the promotion of legislation towards these ends."

MEMBERSHIP QUALIFICATIONS.

"All comptrollers, auditors or other accounting or fiscal officers of cities, counties and States in the United States shall be eligible to membership in the Association. Accountants regularly engaged in State and municipal accounting shall also be eligible to membership."

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The cost of membership in the Association is Ten Dollars per annum.

Accountants' Association of the Interstate Commerce Commission

Organized May 5, 1906

1311 G Street N. W., Washington, D. C.

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Elected at the annual meeting held April 12, 1909, to serve for one year.

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OBJECT:

The object of this Association shall be the discussion of topics of common interest, the promotion of efficiency and sociability among members and such other objects as may be approved by the Interstate Commerce Commission.

MEMBERSHIP:

The active membership of this Association shall be confined to Examiners, or other persons of a grade equivalent to Examiners, who are employed in the Bureau of Statistics and Accounts.

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OCTOBER, 1909

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(WITH KEY-CHART TO GOVERNMENTAL STATISTICAL PUBLICATIONS.)

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BY RICHARD M. CHAPMAN

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THE OFFICIAL MAGAZINE OF

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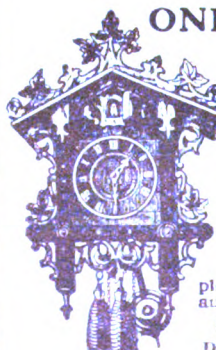
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Vol. 3

OCTOBER, 1909

No. 6

Synopsis of the Interdepartmental Statistical Committee's Report to the President of the United States.

Compiled and arranged by J. H. PARMELEE, Secretary to the Subcommittee.

EXECUTIVE ORDER.

The following-named gentlemen, representing the several Executive Departments and one independent government establishment, are hereby designated as members of an Interdepartmental Statistical Committee hereby created, under the jurisdiction of the Secretary of Commerce and Labor, for the purpose of promoting uniformity of statistical methods and results, preventing duplications, rendering possible closer cooperation, and keeping the statistical work of the government abreast of the most modern methods:

Mr. John Ball Osborne, Chief of the Bureau of Trades Relations, Department of State;

Hon. Lawrence O. Murray, Comptroller of the Currency, Department of the Treasury;

Major John T. Thompson, Assistant, Ordnance Department, Department of War;

Mr. H. C. Gauss, Private Secretary to the Attorney General, Department of Justice;

Mr. E. T. Bushnell, Chief Clerk to the First Assistant Postmaster General, Post Office Department;

Mr. F. S. Curtis, Chief Clerk, Department of the Navy;

Mr. Clarence J. Blanchard, Statistician, Reclamation Service, Department of the Interior;

Mr. Victor H. Olmsted, Statistician and Chief, Bureau of Statistics, Department of Agriculture;

Mr. Oscar P. Austin, Chief of Bureau of Statistics, Department of Commerce and Labor; and

Prof. Henry C. Adams, In Charge of Statistics and Accounts, Interstate Commerce Commission.

Hon. Lawrence O. Murray, Comptroller of the Currency, Treasury Department, is hereby designated to act as Chairman of this Committee.

The Government Accountant.

The specific duties of the Committee thus created shall be as follows:

(a) To make recommendations with a view to eliminating unnecessary duplication of work and conflicting results.

(b) To make recommendations with a view of utilizing the statistical material in one branch of Government work, with reference to the needs or aims of other branches.

(c) To make recommendations with a view of establishing uniform definitions of statistical terms.

(d) To make recommendations with a view of introducing uniform methods.

(e) To make recommendations in regard to schedules and accompanying instructions relative to any new line of statistical inquiry; to study the needs of the various bureaus and Departments from time to time and above all to test the results achieved, and to investigate whether they are in harmony with each other and modern statistical methods and practice.

(f) To make recommendations regarding the preparation and the place of publication of the Statistical Abstract of the United States.

THEODORE ROOSEVELT.

THE WHITE HOUSE,
September 10, 1908.

In compliance with the foregoing executive order, the committee met and organized and formulated the following circular letter, a copy of which was mailed to all Government Agencies of record:

1. What statistical work is done by any bureau, division, or agencies of your Department?

NOTE.—In answering the above question, please classify, so as to show separately, the statistical compilations that are published and those that are not published, and in such manner as to indicate which are regarded primarily as a means of disseminating statistical and scientific information and which are kept for guidance in legislative recommendations or for assistance in departmental administration. What the committee desires is a careful and discriminating statement of the work for which your Department is responsible.

2. Do you consider that any of the statistical work now done in your bureau should be eliminated? If so, describe the character of the same, and submit reasons for such belief.

3. How frequently are statistics intended for public information published?

4. How frequently are statistics not intended for publication compiled?

5. From what sources are these statistics derived?

6. How are they collected?

7. What are your methods of tabulation?

8. What means are used for testing the accuracy of information received for purposes of tabulation?

9. In what form are the statistics published? Send samples.

The Government Accountant.

10. What statistics previously published by any other bureau are republished by your bureau, and from what other bureau or bureaus do they emanate?

11. Why are the statistics referred to in the last question republished by your bureau?

12. Are any of the original statistics published by your bureau republished by any other bureau? If so, what are they, and by what other bureaus are they republished?

13. Is any of the ground covered by original statistical investigations and publications by your bureau also covered by original work in any other bureau? If so, by what other bureau, and what is the scope and character of the statistics in which work is being duplicated?

14. Is any effort made to eliminate unnecessary duplication of original statistical work referred to in the preceding question? If so, what effort?

15. Is any effort made to avoid conflicting results in the work referred to in question 13? If so, what effort?

16. What are the needs of your office in regard to new lines of statistical inquiry not now undertaken by any branch of the Government?

17. Have you any recommendations to submit "regarding the preparation and the place of publication of the Statistical Abstract of the United States?"

NOTE.—It is the sentiment of this committee that the Statistical Abstract referred to in the Executive Order should be made the authoritative depository of the significant results of all important statistical compilations carried on by the several departments of the Government, and any suggestions relative to a plan for the satisfactory compilation, publication, and dissemination of such an abstract will be thankfully received and carefully considered.

Send responses to—

LAWRENCE O. MURRAY,

*Chairman, Interdepartmental Statistical Committee,
Treasury Department, Washington, D. C.*

The committee, through a subcommittee appointed for this purpose, grouped and classified the answers received and prepared:

Part I. A table, showing in graphical manner, the general subjects, numbered chronologically, upon which statistics are being gathered by agencies of the Federal Government, with reference to the specific department or bureau issuing publications on each given subject.

Part II. An appendix to this table which gives the subjects alphabetically arranged and explains the differences between publications by different bureaus seemingly identical in scope and general purpose but actually of widely differing character.

Part III. A summary of replies to the questions contained in the committee's circular letter.

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Part IV. Individual suggestions from parties outside of the Government service.

PART I.

The accompanying table classifies statistical work under 98 heads, and indicates the statistics collected and published by each of the 55 Government bureaus which replied affirmatively to the questions of the Committee. The Bureau of Corporations is also entered in the table, although the Deputy Commissioner of that bureau reported that by agreement between the chairman and himself no replies were formulated. From the State Department no replies were received, and 43 bureaus in the other departments reported that they do not gather statistics. Of these 43, 13 are bureaus of the Treasury Department, nine of the Navy Department, six each of the War and Commerce and Labor Departments, and the balance are scattered. All these bureaus have been omitted from the table.

A glance at the table will reveal the bureaus most widely engaged in the collection of statistics. The Bureau of the Census heads the list with 64 subjects. Other bureaus that cover nine or more subjects are as follows:

Bureau of Labor, 18; Bureau of Statistics, Department of Agriculture, 11; Interstate Commerce Commission, 10; Bureau of Statistics, Department of Commerce and Labor, 9.

PART II.

This appendix explains at greater length than is possible in the table the nature of the statistics published by each bureau. A glance at the appendix entries shows that there exists little or no real duplication of work, notwithstanding the many duplicate entries in the table. For example, the table exhibits the fact (see No. 1 in the table) that three bureaus collect statistics of area, but the appendix shows that these bureaus are collecting statistics along wholly different and non-conflicting lines. Where the situation is not so clear, full explanations will be found in the summary of replies, under the general head of "Duplication." Under this head both seeming and real duplications are taken up and discussed.

Abnormal Classes (15).

Bureau of the Census: benevolent institutions; feeble minded; insane; juvenile delinquents and paupers under institutional care; prisoners; the blind and the deaf.

Bureau of Immigration and Naturalization: statistics of aliens in penal and charitable institutions.

Accidents (26).

Life Saving Service: marine casualties.

Steamboat Inspection Service: marine casualties.

Interstate Commerce Commission: railway accidents.

Accounts: see Municipal Accounts.

Age (6).

Bureau of the Census: population classified by age; proportion of children.

Animals: see Farm Animals.

Area (1).

Office of Indian Affairs: areas of Indian reservations.

General Land Office: statistics of public lands; areas of forest and military reservations.

Bureau of the Census: area of the United States, by states and territories; territorial acquisitions.

Banks and Bank Statements (89).

Comptroller of the Currency: periodical statements of number of national banks; assets and liabilities, statements, etc.

Bureau of the Census: savings banks and other savings institutions.

Chemicals and Explosives (59).

Bureau of the Census: turpentine and rosin; fertilizers; chemicals and allied products.

Classification of Land (2).

General Land Office: public land statistics.

Forest Service: statistics of the national forests.

Bureau of Soils: statistics of given sections, classified by soil character.

Bureau of Statistics: Department of Agriculture; crop acreages.

Bureau of the Census: farm acreage.

Clothing: see Textiles and Clothing.

Coal (39).

Geological Survey: production statistics.

Colleges: see Schools and Colleges:

Commerce: see Internal Commerce.

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Commercial Fisheries (34).

Bureau of the Census: fisheries; vessels and persons in commercial fisheries.

Bureau of Fisheries: commercial fisheries in home and insular waters.

Conditions of Labor (61).

Bureau of Labor: hours of labor; slums; housing.

Construction (48).

Bureau of the Census: building trades.

Consumption Statistics (24).

Bureau of Statistics, Department of Agriculture: estimates of consumption of various agricultural products.

Bureau of the Census: consumption of cotton.

Corporations (25).

Bureau of the Census: capitalization of incorporated companies.

Corporation Finance (86).

Bureau of the Census: balance sheets of express companies.

Interstate Commerce Commission: railway balance sheets.

Costs: see Production Costs.

Credit (88).

Bureau of Labor: Building and Loan Associations.

Crops (30).

Bureau of Statistics, Department of Agriculture: condition and production of agricultural products; cost and value of the principal crops.

Bureau of the Census: crops, fruits; cotton production; value of farm products.

Dairy Products (32).

Bureau of Statistics, Department of Agriculture: production and value of dairy products.

Debt: see Public Debt.

Density of Population: see Numbers and Density.

Divorce: see Marriage and Divorce.

Domicile (8).

Bureau of the Census: population by states, cities and minor divisions; dwellings and families.

Employers' Associations: see Trade Unions and Employers' Associations.

Engineering (20).

Bureau of Ordnance, War Department: artillery and mobilization statistics.

Reclamation Service: data regarding irrigation engineering.

Engraving: see Printing and Engraving.

Executive Establishment (91).

Bureau of Insular Affairs: Philippine commerce statistics.

Office of Indian Affairs: data of transactions with the Indian tribes; awards of contracts.

Division of Appointments, Department of Commerce and Labor: Statistics of the personnel of the Department of Commerce and Labor.

Bureau of the Census: Cuban and Philippine Censuses; statistics of the executive civil service.

Civil Service Commission: statistics of changes in the civil service; classification of service.

Explosives: see Chemicals and Explosives.

Exports (83).

Internal Revenue Bureau: exports of liquors, tobacco, cards and oleomargarine.

Bureau of Statistics, Department of Agriculture: exports of agricultural products.

Bureau of the Census: exports of cotton.

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Exports (83).—Continued.

Bureau of Manufactures: export tables attached to Consular reports.

Bureau of Statistics, Department of Commerce and Labor: exports of all kinds—gold, silver and merchandise.

Express and Messenger Service (76).

Bureau of the Census: express business.

Interstate Commerce Commission: annual reports on express companies.

Factories and Capitalization (42).

Bureau of the Census: capital invested in industries.

Farm Animals (33).

Bureau of Animal Industry: inspection statistics of animals imported and exported, and of diseased animals.

Bureau of Statistics, Department of Agriculture: production and value of farm animals.

Bureau of the Census: live stock, poultry and eggs.

Fermented Liquors and Distilled Spirits (56).

Internal Revenue Bureau: statistics of spirits, wines, and fermented liquors on which taxes were collected.

Bureau of the Census: alcoholic liquors and beverages.

Finance: see Corporation Finance.

Fisheries: see Commercial Fisheries.

Foodstuffs (55).

Internal Revenue Bureau: production of taxed foodstuffs, such as oleomargarine.

Bureau of Animal Industry: meat inspection statistics.

Bureau of Statistics, Department of Agriculture: meat and dairy products.

Bureau of the Census: animal and dairy products; canned and preserved foods; slaughtering and meat packing; manufactured ice; oleomargarine; salt and starch; other food products.

Forest Products (31).

Forest Service: production and consumption of forest products.

Bureau of the Census: production and consumption of forest products.

Bureau of Labor: white pine lumber in the U. S. and Canada. A special report prepared in 1897.

Game (35).

Bureau of Biological Survey: game and game shipments; license statistics.

Glass and Pottery (50).

Bureau of the Census: glass; clay products; other manufactures.

Gold and Silver (38).

Bureau of the Mint: production and assay statistics.

Geological Survey: production figures.

Government Expenditures (96).

Division of Bookkeeping and Warrants: periodical statements of disbursements covered by warrants.

Treasurer of the U. S.: cash expenditures.

Bureau of the Census: governmental expenditures.

Bureau of Statistics: expenditures and their objects; expenditures per capita.

Government Receipts (95).

Division of Bookkeeping and Warrants: periodical statements of receipts covered by warrants.

Internal Revenue Bureau: receipts from internal revenue; costs of collection.

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Government Receipts (95).—Continued.

Treasurer of the U. S.: cash receipts.
Division of Finance, Post Office Department: postal receipts.
General Land Office: receipts from land sales.
Patent Office: receipts from patent fees; surplus.
Bureau of the Census: governmental revenues.
Bureau of Statistics: receipts and their sources; receipts per capita.

Hardware and Tools (46).

Bureau of the Census: needles and pins; other hardware.

Highways: see Roads and Highways.

Illiteracy (18).

Bureau of the Census: statistics of illiteracy.

Immigration and Naturalization (10).

Bureau of Immigration and Naturalization: immigration and emigration statistics.
Division of Naturalization: declarations of intention; petitions and denials; certificates issued.
Bureau of the Census: citizenship statistics.

Imports (84).

Internal Revenue Bureau: tobacco and tobacco products; domestic distilled spirits.
Bureau of Statistics, Department of Agriculture: agricultural products.
Bureau of Manufactures: import tables attached to Consular reports.
Bureau of Statistics, Department of Commerce and Labor: imports of all kinds,—gold, silver, merchandise.

Income (23).

Bureau of the Census: gross income of all vessels; income from express business.
Interstate Commerce Commission: railway income.

Industrial and Private Railways (74).

Interstate Commerce Commission: mileage, operations, finances.

Industries: see Local and Municipal Industries.

Insurance (90).

Bureau of Labor: insurance of railway employees; cost of industrial insurance.

Internal Commerce (82).

Chief of Engineers, War Department: freight passing through the more important locks in charge of the Engineer Corps.
Bureau of Statistics: figures of internal commerce.

Invention and Patents (27).

Patent Office: patent statistics.

Iron, Steel and Tin Products (44).

Bureau of the Census: tin and terne plate; manufactures, all classes.

Judicial Establishment (93).

Attorney General: cases in U. S. Courts; U. S. prisoners.

Labor: see Conditions of Labor.

Land Traffic and Rates (72).

Bureau of Statistics, Department of Agriculture: freight rates on agricultural products.
Bureau of Statistics, Department of Commerce and Labor: average freight rates on grain and provisions.
Interstate Commerce Commission: passenger and freight traffic; commodities carried.

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Land: see Classification of Land.

Leather (51).

Bureau of the Census: boots and shoes; gloves; leather in all forms.

Legislative Establishment (92).

Bureau of the Census: apportionment of the members of the House of Representatives.

Lighthouse and Life Saving (69).

Life Saving Service: life saving data.

Lighthouse Board: lighthouse statistics.

Liquors: see Fermented Liquors and Distilled Spirits.

Local and Municipal Industries (28).

Bureau of the Census: central electric light and power stations.

Bureau of Labor: water, gas, and electric light plants (annual report for 1899).

Local and Municipal Population (16).

Bureau of the Census: general statistics of cities.

Bureau of Labor: statistics of cities. Discontinued since the establishment of the permanent Census Office.

Local Railways (75).

Bureau of the Census: street and electric railways; ferry boats.

Lockouts: see Strikes, Lockouts, etc.

Lumber (49).

Forest Service: uses and prices of lumber.

Bureau of the Census: lumber and timber products; the lumber industry.

Machinery (45).

Bureau of the Census: agricultural implements; electrical and metal working machinery; other manufactures.

Marriage and Divorce (12).

Bureau of the Census: marriage and divorce; population classified by conjugal condition.

Bureau of Labor: marriage and divorce—a special report published in 1889.

Messenger Service: see Express and Messenger Service.

Metals (37).

Geological Survey: production data.

Bureau of the Census: copper, lead, and zinc smelting and refining.

Military and Naval Statistics (94).

Judge Advocate General, War Department: statistics of trials by court martial.

Quartermaster General: transport and supply statistics; National Cemeteries.

Surgeon General of the Army: statistics of hospitals, sanitation, and health in the Army.

Bureau of Construction and Repair, Navy Department: ships built and building for the navy; naval repairs.

Bureau of Medicine and Surgery, Navy Department: disease, injury, and death in the navy and marine corps.

Bureau of Supplies and Accounts, Navy Department: supplies; sales, general naval accounts.

Bureau of Pensions: pension statistics.

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Mineral Oils (40).

Geological Survey: production statistics.

Mineral Resources (36).

Geological Survey: mineral resources of the U. S.

Bureau of the Census: mines and quarries.

Miscellaneous (41).

Geological Survey: production statistics.

Miscellaneous (60).

Bureau of the Census: bicycles, carriages, automobiles, railway cars, and locomotives; watches and watch cases; musical instruments; typewriters and sewing machines; pens and pencils; electrical apparatus; other manufactures.

Money (85).

Comptroller of the Currency: national bank notes.

Division of Loans and Currency: gross and per capita circulation statements, monthly; coin and paper money statements quadrennially.

Bureau of the Mint: gold and silver coin.

Register of the Treasury: currency redeemed.

Treasurer of the U. S.: kinds and denominations of money in circulation; redemption and exchange of moneys.

Morbidity (13).

Public Health and Marine Hospital Service: morbidity statistics of cities, states, countries, home and foreign.

Surgeon General of the Army: Army morbidity statistics.

Bureau of Medicine and Surgery, Navy Department: Navy morbidity statistics.

Mortality (14).

Public Health and Marine Hospital Service: mortality statistics of cities, states, countries, home and foreign.

Surgeon General of the Army: mortality statistics of American and foreign armies.

Bureau of Medicine and Surgery, Navy Department: Navy mortality statistics.

Bureau of the Census: causes of death; mortality of cities, and registration areas.

Municipal Accounts (98).

Bureau of the Census: financial statistics of cities.

Bureau of Labor: statistics of cities. Discontinued since the establishment of the permanent Census Office.

National Wealth (21).

Forest Service: forest statistics.

Bureau of Statistics, Department of Agriculture: farm value of agricultural products.

Bureau of the Census: national wealth; value of farm products; value of vessels; valuation of railway property.

Nationality: see Race and Nationality.

Naturalization: see Immigration and Naturalization.

Naval Statistics: see Military and Naval Statistics.

Numbers and Density of Population (4).

Division of Loans and Currency: uses estimates of population made by the Actuary of the Treasury.

Bureau of the Census: population by civil divisions; density; growth; center of population.

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Occupation (7).

Bureau of the Census: child and woman labor; hand trades; occupations, all classes; population classified by occupation.

Bureau of Labor: working women in large cities; railroad and street railway labor; convict labor.

Interstate Commerce Commission: statistics of railway employees.

Oils: see Mineral Oils.

Paper: see Wood Pulp and Paper.

Patents: see Inventions and Patents.

Population: see Local and Municipal Population
see Numbers and Density.

Postal Service (77).

Postmaster General: general statistics of the postal service.

Second Assistant Postmaster General: mileage and cost of mail transportation service; data of mail sacks, pouches, and exchanges.

Chief Inspector: statistics of irregularities, robberies, collections of funds due, etc.

Division of Classification: data of second-class matter admitted to the mails.

Division of Finance: postal revenues and expenditures, losses and balances.

Division of Money Orders: statistics of the money order business.

Division of Redemption: redemption statistics as published in the annual report.

Division of Registered Mails: statistics of pieces registered, fees paid, and indemnity collected.

Division of Stamps: statistics of stamps, cards and envelopes issued.

Pottery: see Glass and Pottery.

Prices (81).

Bureau of the Mint: prices of gold and silver.

Forest Service: prices of timber.

Bureau of Statistics, Department of Agriculture: wholesale prices of farm and dairy products; average farm prices of crops and farm animals.

Bureau of Labor: wholesale prices of commodities; retail prices of food. The latter have been discontinued.

Bureau of Statistics, Department of Commerce and Labor: prices of articles in daily use; imports and exports; wholesale prices of raw and manufactured articles.

Printing and Engraving (54).

Bureau of the Census: printing and publishing; other manufactures.

Production Costs (43).

Bureau of the Census utilization of wastes and by-products; cost of materials used in industry.

Bureau of Labor: production costs—iron, steel, coal, textiles, glass—compiled in 1890 and 1891.

Products: see Dairy Products.
see Forest Products
see Iron, Steel and Tin Products.
see Tobacco Products.

Property (22).

Bureau of the Census: farm tenure; proprietorship of homes; ownership of vessels.

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Public Debt (97).

- Division of Bookkeeping and Warrants: periodical statements of the public debt.
- Division of Loans and Currency: bonds lost, stolen, or destroyed; quadrennial bond statement.
- Register of the Treasury: bond transfers, exchanges, and interest.
- Treasurer of the U. S.: amount of the public debt, and transactions in it.
- Bureau of the Census: public indebtedness.
- Bureau of Labor: an early bulletin on public debt in the United States.

Race and Nationality (9).

- Office of Indian Affairs: population of Indian Tribes.
- Bureau of the Census: aliens in the U. S.; negroes in the United States; population classified by race, nativity, and nativity of parents.
- Bureau of Labor: special monographs on the Italians and other nationalities.

Railways (71).

- Interstate Commerce Commission: statistics of systems and groups.

Railways: see Industrial and Private Railways.
see Local Railways.

Railway Finance (73).

- Interstate Commerce Commission: railway financial operations and balance sheets.

Rates: see Land Traffic and Rates.
see Water Traffic and Rates.

Refining (58).

- Bureau of the Census: petroleum refining.

Resources: see Mineral Resources.

Roads and Highways (70).

- Department of Agriculture: public roads in the U. S.—mileage and cost.

School and College (17).

- Bureau of Education: school and college statistics.
- Office of Experiment Stations: statistics of land-grant colleges.
- Bureau of the Census: school population of the United States.

Scientific Statistics (19).

- Bureau of Ordnance, War Department: tests of metals and other materials.
- Office of Experiment Stations: experiment station work.
- Farmers' Institute Specialist: statistics of agricultural progress work.
- Bureau of Soils: soil statistics of given areas.

Sex (5).

- Bureau of the Census: population classified by sex; proportion of the sexes.

Shipbuilding (47).

- Bureau of Construction and Repair, Navy Department: ships built and building for the navy.
- Bureau of the Census: shipbuilding—amount of construction and its cost.
- Bureau of Navigation: general shipbuilding statistics.

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Shipping (67).

Bureau of the Census: railway shipping; government vessels; number, tonnage, and value of all vessels and canal boats.

Bureau of Navigation: statistics of the merchant marine.

Steamboat Inspection Service: statistics of inspected vessels..

Silver: see Gold and Silver.

Steel: see Iron, Steel and Tin Products.

Strikes, Lockouts, etc. (65).

Bureau of Labor: strikes and lockouts.

Telegraph (78).

Bureau of the Census: telegraphs.

Telephones (79).

Bureau of the Census: telephones.

Textile and Clothing (52).

Bureau of the Census: cotton ginning; dyeing and finishing textiles; textiles; flax, hemp, and jute products; silk; cotton manufactures; wool manufactures; clothing.

Tin: see Iron, Steel and Tin Products.

Tobacco Products (57).

Internal Revenue Bureau: statistics of tobacco products on which taxes were collected.

Bureau of the Census: manufactured forms of tobacco.

Tools: see Hardware and Tools.

Trade Unions and Employers' Associations (64).

Bureau of Labor: benefit features of trade unions; the union movement among coal-mine workers; the trade union label.

Trade Units (80).

Bureau of Statistics: clearing house transactions.

Traffic: see Land Traffic and Rates.

see Water Traffic and Rates.

Unemployment (63).

Bureau of the Census: unemployed months of persons in gainful occupations.

Bureau of Labor: industrial depressions; free public employment offices.

Unions: see Trade Unions.

Wages (62).

Bureau of the Census: earnings of employes in manufacturing and mechanical industries.

Bureau of Labor: wages in manufactures; wages of women and children; wages in the United States and Europe.

Interstate Commerce Commission: wages of railway employes.

Water Supply (3).

Geological Survey: statistics of water supply of given regions.

Reclamation Service: statistics of irrigation—cost, acreage, etc.

Bureau of the Census: farms and acreage irrigated; cost of systems, sources of supply.

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Water Traffic and Rates (68).

Bureau of Statistics, Department of Agriculture: ocean rates on agricultural products.

Bureau of Statistics, Department of Commerce and Labor: vessels entered and cleared in commerce with foreign and non-contiguous territory; freight rates on grain and provisions to foreign ports.

Bureau of the Census: traffic on all vessels, both passenger and freight. Included in the report of 1906 on water transportation.

Waterways (66).

Bureau of the Census: mileage and cost of canals and canalized rivers.

Wealth: see National Wealth.

Weather Statistics (29).

Weather Bureau: weather data.

Wood Pulp and Paper (53).

Bureau of the Census: paper and pulp; other manufactures.

Bureau of Labor: production of paper and pulp. Jan. 1 to June 30, 1898—a special bulletin.

(To be continued.)

The Accounts of a City.

By RICHARD M. CHAPMAN, C. P. A.

(Continued.)

SYNOPSIS OF PRECEDING NUMBERS.

The Development of Municipal Accounting:—Changes in Method and Procedure Contemplated. Merits of former expedients. Scope of thesis. Governing distinctions. Form of presentation and illustration of subject adopted. Appropriation funds and provision therefor. Assessment funds. Taxes and assessments differentiated. Interest on and redemption of assessment bonds. Water revenue and maintenance. Receiving and collecting officers. Bond funds. Special funds. Accounts current. Primary classification of receipts. Liquidation of imposts. Application of miscellaneous revenues.

ENTRY 6.

12. Sundries: To Special Funds.....	\$16,454.60
5. Receiver of Taxes.....	7,070.28
6. Receiver of Assessments.....	1,390.19
7. Receiver of Water Rates.....	1,737.73
8. Collector of Arrears of Taxes.....	5,845.99
9. Collector of Arrears of Water Rates.....	410.41

The distinctive titles of the several special funds operated in the Special Funds Ledger and the amount of each here follow and comprehend the following accounts, viz:

Refunding Taxes Paid in Error.
Refunding Assessments Paid in Error.
Refunding Water Rates Paid in Error.

to which the component credits are posted and against which the warrants drawn for refunds are charged.

(Aggregate of periodical entries.)

For over and double payments of imposts, collected and deposited by the receivers and collectors thereof, which, being disclosed by liquidation of corresponding items in the several rolls, are accordingly reported for refund to the parties by whom paid.

In all large cities these items, although infrequent in comparison with the number of items clearing, are, nevertheless, when separately regarded, both numerous and constantly recurring, and require to be currently and expeditiously identified and treated with. They accordingly form a component element in the interim returns and monthly accounts current rendered by the receivers and collectors, as described in the preceding entry (5), and inasmuch as they correct the excessive credit of receipts and sometimes operate to reopen liens on the rolls (with owners' consent) where payment has been made twice, because misapplied in the first instance, they are charged back to the receivers and collectors to restore the balances of their accounts to the sums of the actual open items, and placed to the credit of funds from which they may be paid back in due course.

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ENTRY 7.

17. Miscellaneous City Revenues: To Sundries.....	\$3,120,056.87	
3. Appropriation Funds—1907 and Prior Years.... (a separate account for each year)		14,022.59
4. Appropriation Funds, 1908.....		26,781.95
10. Bond Funds.....		15,993.27
11. Assessment Funds.....		80,912.24
12. Trust Funds.....		90,490.63
13. Special Funds.....		870,169.26

Following each of the above controlling account titles are the several specific titles of, and the amounts charged and credited to, the related subsidiary revenue and fund accounts controlled thereby, which are posted to the respective revenue ledgers and fund ledgers, e. g., the charges to specific revenue accounts are posted to the miscellaneous city revenue ledger, the credits to specific appropriation funds of each year are posted to the appropriation ledger of said year, and the credits to specific bond, assessment, trust and special funds are posted, respectively, to the corresponding bond, assessment, trust and special fund ledgers.

2. General Fund (general ledger account).....	2,071,686.93
(Aggregate of periodical entries.)	

For application of all miscellaneous city revenue by transfer thereof from the classified specific revenue accounts to the classified specific fund accounts, or to the general fund; and also for making the corresponding aggregate charges and credits to the accounts in the general ledger controlling the several ledgers wherein the subsidiary accounts affected are conducted, consequent upon said application and transfer.

The credits of miscellaneous items to appropriation funds consists, in the main, of refunds of expenditures on payrolls coming through the city paymaster. The necessity of preparing payrolls before the end of the week or month covered by them, and of drawing warrants in favor of the paymaster for the aggregate amounts against which he may issue the individual checks promptly on pay day, frequently results in overcalculating the sums required and leaves money in his hands in excess of what he has to pay, which money is accordingly returned to the city treasury and credited to the funds that have been overcharged. Overpayments on account of materials and supplies, reimbursements of departmental expenditures for services rendered to private interests, and sales of materials produced or not consumed in departmental operations but which have originally occasioned charges to appropriation accounts and require correcting or qualifying credits thereto, are also among the contributing causes of the application of miscellaneous receipts by credit to the funds, the previous expenditures from which gave rise to said receipts. These same conditions also apply to bond funds, trust funds, and special funds, and account in part for similar credits thereto.

To Bond Funds—The premium on bond sales, when not applied to the sinking fund.

To Assessment Funds—The interest on assessments accruing, with the succeeding installments thereof.

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To Trust Funds—The sums received in trust or revenues specifically pledged thereto.

To Special Funds—The moneys received for permits or services rendered or penalties imposed, by which the several purposes of the funds are financed.

To the General Fund—All other receipts not otherwise applicable.

The governing characteristics and underlying motives of the several classes of funds just named are broadly reflected in the following list of a few of the more significant titles under each general head, viz:

BOND FUNDS—(a) Permanent Loan: "School Building Fund;" "Fire Department Fund for Sites, Buildings and Telegraph Service;" "Court-house Fund;" "New Municipal Building Fund;" "Bridge and Approaches over X. River, from Y to Z;" "New M. & N. Bridge Fund;" "Abolishing Grade Crossings of Highways;" "Water Works—Extension of Storage Reservoir;" "Additional Public Parks Fund," etc.

(b) Assessment Bonds: "Road or Public Drive from _____ to _____;" "Local Improvement Fund;" "Fund for Streets and Park Openings;" "Opening and Grading Fund;" "First Avenue Relief Sewer Fund;" etc.

(c) Special Revenue Bonds: "Revenue Bond Fund for Book Typewriting Machines;" "Revenue Bond Fund for Computation of Arrears of Taxes;" "Revenue Bond Fund for Purchase of Horses for Additions to the Mounted Squad, Police Department;" "Revenue Bond Fund for Repairing Damage done to Streets and Roads;" "Revenue Bond Fund for Deficiencies in 1907 Appropriation, Board of Health;" etc.

ASSESSMENT FUNDS—"Assessment Fund Road or Public Drive;" "Local Improvement Assessment Fund;" "Street and Park Opening Assessment Fund;" "Opening and Grading Assessment Fund;" "Sewer Assessment Fund;" etc.

TRUST FUNDS—"Police Pension Fund;" "Fire Department Relief Fund;" "School Teachers' Retirement Fund;" "Intestate Estates;" "Security Deposits;" "Unclaimed Salaries and Wages;" "Unclaimed Warrants;" etc.

SPECIAL FUNDS—"Water Fund;" "Bridge Maintenance Fund;" "Unsafe Building Fund;" "Excise Taxes;" "Refunding Taxes Paid in Error;" "Charges on Arrears of Assessments;" "Charges Advertising Sales;" "Tax Sales Money Refunded;" "Restoring and Repaving;" "Sewer Inspection and Repairs;" "Water Tapping Fund;" "Zoological Garden Fund;" "Special High School Fund;" "Street Incumbrances Fund;" "Accrued Interest on Bonds Sold;" "Gratuitous Vaccination Fund," etc.

All such receipts as are not applicable to the general fund for the reduction of taxation but which, on the contrary, are applicable to other funds, either as reimbursements or income pledged, are collated from the cash returns in an analytical register, and are periodically both charged and credited to the revenue accounts by which they are classified through the simultaneous operations of entries 5 and 7, the initial deposits being to the city treasurer and the ultimate credits being to the funds, while the contra credits and debits to the intervening revenue accounts offset and clear. The accounts of revenues applicable to the general fund are transferred thereto and balance monthly, while the cumulative or progressive footings or additions of the revenue accounts are carried along consecutively to the end of the year so that the annual volume of each class of revenue will be developed for use in the preparation of statistical statements and reports.

ENTRY 8.

3. Appropriation Funds 1907 and Previous Years.....	\$482,910.69	
14. To "A" Warrants, 1907 and Previous Years.....		482,910.69
(A separate fund and warrant account for each year.)		

The specific titles of the several component funds and the amount charged to each here follow, and are posted to the appropriation ledgers of the several years to which they respectively apply.

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ENTRY 9.

4. Appropriation Fund, 1908.....	\$9,994,278.82
15. To "A" Warrants, 1908.....	9,994,278.82

The specific titles of the several component funds and the amount charged to each here follow, and are posted to the appropriation ledger of 1908.

For "A" Warrants registered for expenditures in 1908, against the several appropriation accounts chargeable therewith, as per vouchers transmitted by the several city departments, after audit and approval thereof.

(Aggregate of succeeding monthly entries.)

Warrants drawn against appropriation accounts are known as "A" Warrants. The various payrolls, and claims upon contracts and open market orders, after audit and registration of related warrants, are collated in a daily abstract, showing daily balances of accounts as a check upon available funds, and the daily totals of charge are in turn collated upon a monthly abstract, from which the above monthly entries are framed. The agreement of the registration totals with the sum of the charges to specific accounts proves the accuracy of both the registration and distribution, and the aggregate figures are accordingly posted to the controlling accounts in the general ledger, while the component amounts are posted to the several specific appropriation accounts in the appropriation ledgers, as indicated in the entry.

By arranging the warrants according to accounts before numbering and registering them, the daily total charged to each account may be developed in the register, ready for posting to the daily abstract, which fills the function of a current working ledger, while the appropriation ledger, *per se*, which moves only by monthly totals, affords a condensed digest of each account and a ready medium for the production of monthly trial balances and quarterly and annual statements.

ENTRY 10.

16. Sundries: To "B" Warrants.....	\$12,610,881.43
10. Bond Funds	9,872,448.29
11. Assessment Funds	800,100.44
12. Trust Funds	87,880.92
13. Special Funds	1,850,264.55

Following each of the above controlling fund titles are the several specific titles of and the amounts charged to the subsidiary funds, which are posted to the corresponding bond, assessment, trust and special fund ledgers as they apply respectively.

2. General Fund	697.23
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For "B" Warrants registered for expenditure against the several bond, assessment, trust and special funds, and the general fund chargeable therewith, as per vouchers transmitted by the several departments or originating in the Department of Finance, after audit and approval thereof.

(Aggregate of succeeding monthly entries.)

The Government Accountant.

Warrants drawn against the above class of funds are known as "B" Warrants. The various payrolls, and claims incident to construction, or operations financed by bond sales; the interest on and redemption of assessment bonds; the discharge of trust obligations, and the expenses related to specific revenues, after audit and registration, are collated in itemized and detailed disbursement records under the titles of the several specific funds charged, which records develop the monthly totals from which the foregoing entry is framed. The disbursement records fulfil substantially the same purpose as the appropriation warrant abstract previously described, and the fund ledgers *per se* move only in monthly totals.

The charges to the bond funds consist of the outlay for which the funds were created to provide the means; the charges to assessment funds consist mainly of the interest on and redemption of assessment bonds for the payment of which the assessments were levied; the charges to the trust funds consist of the discharge of the obligations which occasioned their creation; the charges to the special funds consist of the expenses which are financed by the related reimbursements or revenues pledged, and the charges to the general fund consist in the main of refund of revenues consequent upon overcharge or remission thereof.

ENTRY 11.

14. "A" Warrants, 1907 and previous years.....	18,383.51	
3. To Appropriation Funds 1907 and previous years.....		18,383.51
(Separate Warrant and Fund Accounts for each year.)		

Titles of and amounts credited to subsidiary funds here follow :

ENTRY 12.

15. "A" Warrants, 1908.....	18,241.03	
4. To Appropriation Funds, 1908.....		18,241.03

Titles of and amounts credited to subsidiary funds here follow :

ENTRY 13.

16. "B" Warrants: To Sundries.....	3,405.79	
10. Bond Funds.....		741.14
11. Assessment Funds.....		1,109.00
12. Trust Funds.....		824.22
13. Special Funds.....		666.00

Titles of and amounts credited to subsidiary funds follow each of the above controlling fund titles.

2. General Fund.....	65.43
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For warrants cancelled as void, consequent upon error discovered and reported after registration and charge, and before delivery thereof to payees.

(Aggregate of succeeding monthly entries.)

The Government Accountant.

Notwithstanding the interest, care and vigilance on the part of all parties entrusted with the drawing and audit of vouchers and warrants, instances will occur in which warrants drawn against the wrong fund, in favor of the wrong party or for the wrong amount, will not be detected until after registration, which necessitates the drawing of a new warrant under a new number, and cancelling the warrant incorrectly drawn, and in instances of incorrect warrants clearing through the bank the necessity of adjustments by transfers between accounts, of supplementary warrants for deficiency in amount, or of demands for refund of overpayment may arise, but in many instances the error is discovered before payment and requires a reversal of the original entry, the foregoing entries 11, 12, and 13 being reversals of items covered by the preceding entries 8, 9, and 10.

In addition to the abstracts and ledgers for conducting the accounts of the appropriation funds and the special and trust funds, books are also kept which are called, "Records of Expenditure," in which under each specific fund title are entered all the essential details of each warrant in its numerical order, showing date of warrant, number of warrant, name of payee, nature of charge (giving a comprehensive digest of the purposes for which made, as shown on the voucher), amount of charge, and date of payment by chamberlain. The footings of these books are marked with monthly and quarterly rests, adjusted by deduction of cancelled warrants, and agreed with the ledgers. They are used for all subsequent reviews and analyses of any particular fund that may be the subjects of special inquiry, and are also serviceable for abstracting lists of uncleared warrants, and for tracing differences arising in the current work.

ENTRY 14. ' .

18. Sundries: To City Treasurer.....		23,060,122.09
14. "A" Warrants, 1907 and previous years.....	697,683.79	
(A separate account for each year.)		
15. "A" Warrants, 1908.....	9,867,096.50	
16. "B" Warrants	12,495,341.80	

For warrants clearing through city depositories as reported on weekly account current of the City Treasurer.
Aggregate of periodical entries.

As warrants clear through the bank and are charged upon the bank's book against the city's credit balance, the volume of cash charged to the Treasurer and the volume of outstanding warrants are simultaneously reduced in a like amount. The chain of entries, of which the foregoing is the culmination,

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operates to give the following definite values to the following book balances, viz:

The balance of each fund—the unexpected amount against which further warrants may be drawn.

The balance of warrant account—the amount of warrants charged to funds but which have not yet cleared through the bank.

The balance of City Treasurer—the amount of money in the city's depositories credited upon the bank's books.

The available bank balance is accordingly determined by deducting the balances standing at the credit of the several warrant accounts from the balance standing to the credit of the city treasurer.

(To be continued.)

Classifications of Physical Property Accounts of Common Carriers as prescribed by the Interstate Commerce Commission in accordance with Section 20 of the Act to Regulate Commerce.

On pages 230 and 231 we present a skeleton outline of the classification of Physical Property Accounts issued to date, viz:

Classification of Expenditures for Road and Equipment (First Revised Issue) of Steam Roads.

Supplement to the First Revised Issue of the Classifications of Expenditures for Road and Equipment of Steam Roads.

Classification of Expenditures for Road and Equipment of Electric Railways (First Issue).

Classification of Expenditures for Real Property and Equipment of Express Companies (First Issue).

Official copies of these classifications, containing descriptive text, may be obtained by accountants upon application to the Bureau of Statistics and Accounts, Interstate Commerce Commission, Washington, D. C.

Classification of Physical Property Accounts of Common Carriers.

STEAM ROADS.

EXPENDITURES FOR ROAD AND EQUIPMENT.

I. ROAD—

1. Engineering
2. Right of Way and Station Grounds.
3. Real Estate.
4. Grading.
5. Tunnels.
6. Bridges, Trestles, and Culverts.
7. Ties.
8. Rails
9. Frogs and Switches.
10. Track Fastenings and Other Material.
11. Ballast.
12. Track Laying and Surfacing.
13. Roadway Tools.
14. Fencing Right of Way.
15. Crossings and Signs.
16. Interlocking and Other Signal Apparatus.
17. Telegraph and Telephone Lines.
18. Station Buildings and Fixtures.
19. General Office Buildings and Fixtures.
20. Shops, Enginehouses, and Turntables.
21. Shop Machinery and Tools.
22. Water Stations.
23. Fuel Stations.
24. Grain Elevators.
25. Storage Warehouses.
26. Dock and Wharf Property.
27. Electric-Light Plants.
28. Electric-Power Plants.
29. Electric-Power Transmission.
30. Gas-Producing Plants.
31. Miscellaneous Structures.
32. Transportation of Men and Material.
33. Rent of Equipment.
34. Repairs of Equipment.
35. Earnings and Operating Expenses during Construction.
36. Cost of Road Purchased.

II. EQUIPMENT—

37. Steam Locomotives.
38. Electric Locomotives.
39. Passenger-Train Cars.
40. Freight-Train Cars.
41. Work Equipment.
42. Floating Equipment.

III. GENERAL EXPENDITURES—

43. Law Expenses.
44. Stationery and Printing.
45. Insurance.
46. Taxes.
47. Interest and Commissions.
48. Other Expenditures.

ELECTRIC RAILWAYS.

EXPENDITURES FOR ROAD AND EQUIPMENT.

I. ROAD

1. Engineering and Superintendence.
2. Right of Way.
3. Other Land used in Electric Railway Operations.
4. Grading.
5. Ballast.
6. Ties.
7. Rails, Rail Fastenings, and Joints.
8. Special Work.
9. Underground Construction.
10. Paving.
11. Track Laying and Surfacing.
12. Roadway Tools.
13. Tunnels.
14. Elevated Structures and Foundations.
15. Bridges, Trestles, and Culverts.
16. Crossings, Fences, Cattle Guards, and Signs.
17. Interlocking and Other Signal Apparatus.
18. Telegraph and Telephone Lines.
19. Poles and Fixtures.
20. Underground Conduits.
21. Transmission System.
22. Distribution System.
23. Dams, Canals, and Pipe Lines.
24. Power-Plant Buildings.
25. Substation Buildings.
26. General Office Buildings.
27. Shops and Carhouses.
28. Stations, Waiting Rooms, and Miscellaneous Buildings.
29. Docks and Wharves.
30. Power-Plant Equipment.
31. Substation Equipment.
32. Shop Equipment.
33. Park and Resort Property.
34. Cost of Road Purchased.

II. EQUIPMENT—

35. Cars.
36. Locomotives.
37. Electric Equipment of Cars.
38. Other Rail Equipment.
39. Miscellaneous Equipment.

III. GENERAL EXPENDITURES—

40. Law Expenses.
41. Interest.
42. Injuries and Damages.
43. Taxes.
44. Miscellaneous.

Classification of Physical Property Accounts of Common Carriers.

EXPRESS COMPANIES.

EXPENDITURES FOR REAL PROPERTY AND EQUIPMENT.

- I. REAL ESTATE USED IN OPERATION—
- II. BUILDINGS AND FIXTURES USED IN OPERATION—

III. EQUIPMENT—

- 1. Cars.
- 2. Horses.
- 3. Vehicles.
- 4. Other Equipment.

WATER LINES.*

* None as yet issued.

U. S. Civil Service Examinations.

EXAMINER OF ACCOUNTS.

CLERK.

INTERSTATE COMMERCE COMMISSION.

NOVEMBER 23-24, 1909.

The United States Civil Service Commission announces an examination on November 23-24, 1909, to secure eligibles from which to make certifications for the appointment of examiners and clerks in the Bureau of Statistics and Accounts, Interstate Commerce Commission.

The eligibles obtained from this examination will be classified in three general groups with salaries ranging as follows:

Group A—Examiners—\$2,220 to \$3,000.

Group B—Examiners—\$1,860 to \$2,100.

Group C—Clerks —\$1,200 to \$1,620.

If a sufficient number of high-grade eligibles is obtained, it is expected that there will be appointed approximately five from Group A, fifty from Group B, and fifty from Group C.

For positions in Groups A and B it is desired to obtain men having special qualifications for work in the following fields of railway and other common-carrier accounting:

1. Steam roads:

- (a) General auditing.
- (b) Disbursements.
- (c) Freight.
- (d) Passenger.
- (e) Claims.

2. Electric railways.

3. Express service.

4. Steamship service.

5. Other common-carrier service.

Age limit, 21 to 48 years on the date of the examination.

The applicant should indicate the group for which he desires to be examined, but he will be admitted to examination only for the group for which he is, upon a consideration of his statement of experience, shown to be fitted.

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An applicant must establish experience in connection with railway or other common-carrier service, preferably in accounting, of at least seven years to be eligible to Group A, five years to Group B, and three years to Group C.

The duties of examiners will require extended absence from headquarters, and traveling expenses will be allowed while on duty away from Washington or other official headquarters.

In view of the importance of these positions, rigid examination will be made of the special fitness of all applicants, and only those who have submitted *prima facie* evidence of having had the training and experience required for positions under any of the groups will be admitted to the examination.

Application Form 304 is required. With this should be filed statements required under subjects 7 and 8, as follows:

Subject 7. A sworn statement of the applicant's general education, training, and experience, indicating (1), the names of the institutions at which he has studied; (2), the time spent in each; (3), the courses of study pursued; (4), the degrees conferred, if any; (5), all the experience he has had along lines not particularly referred to under the eighth subject.

Subject 8. A sworn statement showing fully and in detail all the work he has done in accounting and other technical experience that he may have had along lines connected with railway or other common-carrier service, stating (1) when, giving dates; (2) where, and (3) by whom employed, compensation received, and the exact character of the work in each case. The applicant should submit recommendations from at least three persons who have knowledge of his special experience and fitness for the position for which this examination is held. It is essential that these recommendations be from persons under whom he has been employed or persons whose work is of an administrative or executive character. The value of these recommendations will necessarily depend upon the extent and nature of the recommender's acquaintance with the applicant and his work, which should be stated in the recommendation.

The applicant should be able to furnish bond with a reliable surety company to guarantee faithful service.

Applicants should familiarize themselves with the Federal Act to Regulate Commerce, a copy of which will be furnished to all persons whose applications are approved.

Separate examinations will be given as shown below. The scope of the tests on the technical subjects will be different for each group, and that for Group A will be materially more difficult than for Group B, and will be such that only those with the highest grade training and experience can hope to attain eligible ratings, while for Group C the technical subjects will be considerably more elementary than for examiner positions under Group B.

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The examination will consist of the subjects mentioned below, weighted as indicated:

EXAMINER, GROUP A.

The first six subjects will be given in the examination room and will require at least two days.

<i>Subjects.</i>	<i>Weights.</i>
1. Commercial and railway geography.....	5
2. Arithmetic	10
3. Abstracting (a test in condensing a statement of about 400 words into a brief, concise, and accurate abstract of 175 words or less)	5
4. Practical questions in general accounting and statistics.....	15
5. Practical questions in accounting of railway or other common-carrier service	20
6. Thesis on a transportation topic.....	10
7. General education, training, and experience.....	10
8. Accounting and other technical experience along lines connected with railway and other common-carrier service.....	25
Total	100

EXAMINER, GROUP B.

The first six subjects will be given in the examination room and will require at least two days.

<i>Subjects.</i>	<i>Weights.</i>
1. Commercial and railway geography.....	5
2. Arithmetic	15
3. Abstracting (a test in condensing a statement of about 400 words into a brief, concise, and accurate abstract of 175 words or less)	5
4. Practical questions in general accounting and statistics.....	15
5. Practical questions in accounting of railway or other common-carrier service	20
6. Letter-writing (a letter of not less than 150 words on some subject of general interest. Competitors may select one of two subjects given)	5
7. General education, training, and experience.....	10
8. Accounting and other technical experience along lines connected with railway and other common-carrier service.....	25
Total	100

CLERK, GROUP C.

The first five subjects will be given in the examination room and will require at least two days.

<i>Subjects.</i>	<i>Weights.</i>
1. Commercial and railway geography.....	10
2. Arithmetic	20
3. Practical questions in general accounting and statistics.....	15
4. Practical questions in accounting of railway or other common-carrier service	15
5. Letter-writing (a letter of not less than 150 words on some subject of general interest. Competitors may select one of two subjects given)	10
6. General education, training, and experience.....	15
7. Accounting and other technical experience along lines connected with railway and other common-carrier service.....	15
Total	100

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In accordance with a recent act of Congress an applicant for this examination will be required to be examined in the State or Territory in which he resides and to show in his application that he has been actually domiciled in such State or Territory for at least one year, previous to the examination.

These examinations are open to all male citizens of the United States who comply with the requirements.

Certifications will be made from those standing highest on the required register without respect to the apportionment.

This announcement contains all information which is communicated to applicants regarding the scope of the examination, the vacancy or vacancies to be filled, and the qualifications required.

Applicants should at once apply to the United States Civil Service Commission, Washington, D. C., for application Form 304. No application will be accepted unless properly executed and filed in complete form, with the material required, with the Commission at Washington. In applying for examination the exact title as given in this announcement should be used in the application; i. e., Examiner, Group A or Group B, or Clerk, Interstate Commerce Commission.

As examination papers are shipped direct from the Commission to the places of examination, it is necessary that applications be received in ample time to arrange for the examination desired at the place indicated by the applicant. The Commission will therefore arrange to examine any applicant whose application is received in time to permit the shipment of the necessary papers.

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The Government Accountant

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OCTOBER 25, 1909.

The Corporation Tax Law Once More.

In our June, 1909, issue we took occasion to refer editorially to the then proposed Corporation Tax Law, under the heading: "Will the Proposed Tax on Interstate Corporations Lead to a National System of Accounting?" expressing the hope that the contemplated amendment to the Tariff bill might be framed so clearly and embody such definite rules based on sound and time tried principles of accounting as to lead inevitably to greater uniformity in Private Accounting generally.

While it is at all times impractical to encumber a legislative measure with technical rules subject to all manner of interpretation, we had in mind a provision, clothing the administrative officer charged with the collection of the corporation tax with power to prescribe proper methods and procedure for measuring the incomes of the various corporations subject to this tax. Precedent for such action exists in that Interstate Commerce Act, known as the Hepburn Act, giving the Interstate Commerce Commission power to prescribe a uniform system of accounting for all Common Carriers, which task was accomplished by Professor Henry C. Adams, under the Commission's direction, and with the active co-operation of the various associations of expert transportation accountants, to the satisfaction of practically the entire transportation world. That any work of such magnitude should be unanimously accepted by all concerned, is hardly to be expected, since one class of humans seem by nature destined for the role of kickers, and an all wise providence evidently regulates such matters, because criticism, no matter how feeble, nor how ill founded, tends to bring out such minor faults as any system may possess and serves therefore a good purpose.

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We firmly believe that the Corporation Tax Amendment, as finally passed, while falling short of our expectations, was the best measure that could be passed on such short notice and without extended discussion. It cannot be denied, and all practical accountants seem to be agreed, that the measure in its present form is, through the employment of a mixture of ancient and modern accounting phraseology, so vague in its meaning as to open the doors wide for all kinds of free translations on the part of corporation accountants.

The American Association of Public Accountants has issued a pamphlet under date of September 30, reprinting the correspondence on the part of some of the Association's leading members with the Attorney General's office in reference to the necessity of further legislation to strengthen the present Corporation Tax Law and make it easier to understand and apply, from which we quote, in part, the following introductory letter, to the end that all those among our readers who are in accord with these views may take such action as, to them, may seem desirable.

Copy of Circular Letter of The American Association of Public Accountants:

OFFICE OF THE PRESIDENT,
54 WILLIAMS STREET,

NEW YORK, September 30, 1909.

To the Members of The American Association of Public Accountants:

DEAR SIRs:—Since the enactment of the short-lived Income Tax Law of 1894, perhaps the most important Federal legislation in its bearing upon the accountancy profession is found in the Corporation Tax Law passed at the last session of the Congress. In view of the necessity of every public accountant familiarizing himself with the provisions of this law so that he may assist and advise his clients relative thereto, and especially because of the somewhat vague phraseology and altogether unusual provisions of the Act, your Executive Committee has decided to address each member of the Association in the hope that a careful study of the law may be promoted, and possibly some interest developed looking to an amendment of the Act during the early weeks of the Congress that assembles in December next.

Important legislation is usually enacted by Congress only after careful consideration and full discussion in both the House and Senate, and frequently upon the stump and by the press. The Corporation Tax Law did not run the gauntlet in this manner. In a few short weeks after its first appearance as an amendment to the Tariff Bill it became a part of the law of the land. Even in the brief time devoted to its consideration but little attention seems to have been paid to the provisions of the law relative to the method of determining the amount upon which each corporation is to be assessed. Lack of time no doubt prevented trade, economic and accounting bodies from making themselves heard upon the subject, but it is gratifying to note that a number of the prominent members of our Association did promptly address the Attorney General, calling his attention to the difficulties that would be encountered in administering the Act. The correspondence thus begun did not effect any material change in the then proposed law, but it did serve to bring into a clearer light the intentions of the framers of the bill. * * * * * It is evident that the Corporation Tax Law was passed by Congress without

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sufficient consideration having been given to it to ensure a proper regard for the business, economic and accounting principles involved. The constitutionality of the Act will no doubt be determined by the courts in due course, but in the meantime as members of a professional body, representing very extensive business interests that are affected by this law, we may properly object to and urge the amendment of any feature of the law that is ambiguous, or which makes the law impracticable. Such is evidently the case in the *second* paragraph of Section 38, viz.: "all the "ordinary and necessary expenses actually paid within the year out of "income in the maintenance and operation of its business and properties." This requirement necessarily brings up questions of inventories which are very serious. It will be impossible to comply with the law as it reads and estimates must necessarily be introduced of the cost of stock bought for expense purposes as against capital purposes.

The Corporation Tax as elucidated by the Attorney General is a curious blending of the archaic and modern. Accounts prepared under rules of Court in this country are quite generally stated upon a basis of cash receipts and disbursements, and a survival of this ancient method is found in many governmental accounts. The receipt and payment of cash is, however, only one process in the course of business transactions and the commercial world has long since passed the time when an account prepared upon this basis can be accepted as a complete statement of financial position or results. It is true that the Act (and the Attorney General in the correspondence referred to) does not use the term "cash" and it can be argued ingeniously that the words "received" and "actually paid" as found in the law, refer not necessarily to cash, using that term in its ordinary commercial sense, but to a transfer of an asset or the assumption of a liability. In that case the theory of the Act would be in accordance with that laid down by the accountants and the question remaining would be merely one of lucidity. The Attorney General however states in his letter of July 12th— "You contend that this should be changed to read 'expenses incurred' * * * The words 'actually paid' were used advisedly. The theory of the framers of the bill in this respect differs from that which you advocate."

In the light of present information, therefore, it may be assumed that the return to be made by corporations for purposes of taxation under this law must be based upon cash receipts and disbursements, taking into consideration the purely modern item of depreciation and other matters specified in the Act.

It is interesting to note that this method of determining a basis of taxation is apparently original with the framers of this law. Taxes are assessed in numerous ways but we believe this law is the only one in any English speaking country that attempts to levy an income tax upon the difference between cash receipts and disbursements. It is common enough to assess corporations upon their gross earnings or upon their net income or profits. The Income Tax Law of 1894, and we believe its predecessor of 1862, assessed gains, profits and income and the Income Tax Law of Great Britain also assesses upon the basis of profits.

The Corporation Tax Law is therefore different in this important respect from any of the laws that might be expected to serve as a pattern. The Attorney General does not advance any reason for this radical departure further than that the framers of the bill adopted a theory different from that followed in well known precedents.

It is obvious that the peculiar provision relative to the basis of taxation found in the Corporation Tax Law places a great and altogether needless burden upon the corporations of the country. In their letter to the Attorney General under date of July 21st the Accountants show clearly some of the difficulties that will be met with from the corporations' standpoint. There is, however, another effect that should receive the attention of members of Congress and that is, the certain loss of revenue to the government that will result from this form of assessment.

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The difficulties placed in the way of making a correct return will very naturally in all cases of doubt be resolved by honest corporation officials in their own favor, while unscrupulous men will find it an easy matter to make a return that will enable them to evade the payment of the tax in whole or in part.

Taxes upon incomes have always proved to some extent difficult of collection, but the history of the Income Tax in England proves conclusively that so far as corporations are concerned, an Income Tax Law can be framed and administered in a manner that is equitable to the government and not unreasonably burdensome to the corporations.

It is therefore the judgment of your Executive Committee that members of Congress should be urged to give favorable consideration to amendments to the Corporation Tax Law and if steps are taken promptly to this end, it ought to be possible to secure the passage early in the Congress which meets in December next of such amendments as would remove the present objectionable basis of taxation and put in its place the proper method of a tax upon net profits or income.

* * * * *

J. E. STERRETT, *President.*

T. CULLEN ROBERTS, *Secretary.*

Remember These Dates.

You are cordially invited to attend the meetings of the Association of American Government Accountants which will be held semi-monthly in the Hall of the Public Library, Ninth and K Streets, N. W., at 8 P. M. on dates to be announced in these columns monthly, for the month next succeeding:

Friday, November 5, 1909.—Dr. Le Grand Powers, Chief Statistician, Bureau of the Census, will speak on: **Municipal Budgets and Expenditures.**

Friday, November 19, 1909.—Mr. J. H. Tibbitts, of the Bureau of Accounts, Department of State, will speak on: **Accounts of the Foreign Services.**

Association Notes.

Two of the Association's younger members have been signally honored within the past few weeks. William S. Broughton, for several years Assistant Chief of the Division of Paymasters' Accounts in the Navy Department, which has immediate supervision over Naval Disbursing Offices on ships and in stations and yards, has been appointed Census Supervisor for the District of Columbia by President Taft. Mr. Broughton was a member of the staff of the paymaster for the Atlantic fleet which cruised around the world and is therefore somewhat of a sailor as well as an accountant. He holds a degree from the University of Chicago, and is identified with the University Club of Washington. The District of Columbia is to be congratulated in having its citizens counted under Mr. Broughton's direction.

A more recent promotion is the appointment of George Johannes, of the Disbursing Office of the Department of Commerce and Labor, to the position of Disbursing Officer for the Bureau of the Census in the same department. Mr. Johannes was the immediate predecessor of the present Treasurer of the Association, and as such was prominently identified with its affairs. The good wishes of his fellow members will follow him as he assumes his *new responsibilities*.

Two of the most prominent members of the Association have resigned from their Government positions within the last month. Hon. John G. Capers, formerly Commissioner of Internal Revenue, was the first one to take this step, and will take up the private practice of law. He leaves the Civil Service with high honors and has won the admiration of his contemporaries in his prosecution of his duty as guardian of the second largest source of income of the Federal Government.

Mr. Robert S. Person, Auditor for the Department of the Interior, tendered his resignation later in the month, to take effect December first. Mr. Person first became connected with the Treasury Department in 1897, when he was appointed Deputy Auditor for the Department of the Interior. The Association owes its organization to such men as Mr. Person, who were numbered among its charter members. The large representation of employes of Mr. Person's office found among the Association members, is undoubtedly due to his connection and interest in the affairs of the organization.

Membership Certificates.

Certificates of Membership have been delivered to active members during October, and if you are on the active list and have failed to receive your certificate, the Secretary should be notified. The special committee which designed the form and substance adopted as standard has heard nothing but expressions of admiration for both the style and import attached to the certificate.

Obituary.

At the October meeting of the Board of Trustees, the Secretary reported the decease of one of the recently elected active members, Dr. George N. French, late Chief Clerk of the Disbursing Office of the Library of Congress. His death occurred at Whiteface, New Mexico, September 8, where he was born 69 years ago. Dr. French saw four years of service in the Union Army during the Civil War, and had served in the Treasury Department till about six years ago. He was a member of the Grand Army of the Republic and of the Cosmos Club of this city. The Association of American Government Accountants accords him especial honor for the reason that he was one of its charter members.

The most recent loss that the Association has suffered in its membership is in the death of Postmaster B. F. Barnes. Among the many prominent members of the organization none showed deeper interest in its affairs than he. Mr. Barnes was a native of Nova Scotia, but acquired United States citizenship in New Jersey. He saw service in the office of the First Assistant Postmaster General in the 80's and 90's, and became an executive clerk in the White House in 1898. He was assistant secretary to both President McKinley and President Roosevelt, and acted as the latter's secretary during his trip to the Pacific coast. About a month ago he was admitted to practice at the District bar, and his many friends expected great things from him in the years to come, as he had not yet reached the prime of life, when death claimed him so unexpectedly.

Association of American Government Accountants

Organized November 14, 1906.

Post Office Box 27, Main Office, Washington, D. C.

OFFICERS AND COMMITTEES.

Elected at the annual meeting held May 27, 1909, to serve for one year.

Officers.

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Alonzo Tweedale, Vice President. (Municipal Building, D. C.)
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The Chairmen of these committees are Trustees, and together with the officers form the Board of Trustees.

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The personnel of these committees will be published in subsequent issues as soon as the names are announced by the respective chairmen.

The Government Accountant.

OBJECTS OF THIS ORGANIZATION:

1. To unite in one organization employees of the Federal, State and Territorial Governments of the United States of America, and of the District of Columbia, including Municipal Officers and employees of City Governments having control of or participating in accounting, including the subjects of appointment, purchase, and issue or sale, collecting and disbursing, examining and auditing, bookkeeping, statistical and actuarial subjects.

2. To encourage and facilitate the adoption of economical, expeditious, progressive, and uniform methods in handling the accounting features of the fiscal operations of the Government.

3. To provide means for the technical education and independent study of its members:

First. By promoting and encouraging the study and discussion of questions of advanced and practical accounting and adaptations and improvement of methods.

Second. By originating and disseminating original essays and papers concerning the theory, law, and practice of accounting, and encouraging the expression of individual opinion on controverted points.

Third. By providing occasional addresses on particular features of accounting, either governmental or commercial, by persons outside the Association having expert technical knowledge and experience.

Fourth. By providing a library and a catalogue of the works on accounting and kindred subjects at present available in various local libraries.

Fifth. By advocating systematic instruction in accounting and administration in schools and colleges.

MEMBERSHIP:

The membership of this Association shall consist of three classes, Associate, Active, and Affiliated.

1. Associate Members: All Government employees whose titles or duties are those of accountant, actuary, auditor, statistician, bookkeeper, cashier, chief of division of accounts, comptroller, disbursing officer, examiner, inspector, law clerk, or purchasing agent, and generally all those having to do with the initiation, approval, settlement, audit, and record of fiscal transactions, as well as the Government Examiners for Banking, Insurance, Transportation or Public Service Corporations, are eligible for associate membership in the Association.

2. Active Members: Such persons as shall have been satisfactorily tested as to their qualifications shall become eligible for active membership in this Association.

3. Affiliated Members: Such persons as are, or may have been, in the Government service, and are actively interested in the subject of accounting, and whose attainments in that line are such as to merit such recognition, are eligible for affiliated membership in this Association.

Association of American Government Accountants

Organized November 14, 1906

Post Office Box 27, Main Office, Washington

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All applications by mail, for enrollment as Active, Associate or Affiliated Member should be addressed to the Secretary, P. O. Box 27, Main Office, Washington, D. C., for transmission to the respective committees.

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NEW MEMBERS.

The following applications were passed by the Board of Trustees of the Association of American Government Accountants at a meeting held October 6, 1909:

Active Membership.

F. Lincoln Hutchins, Assistant Statistician, Public Service Commission, Albany, N. Y.

G. W. Ingham, District Government, Municipal Building, Washington, D. C.

Associate Membership.

H. R. Campbell, Chief Clerk to Commissioners of Washington County, Washington, Pa.

Affiliated Membership.

Frank E. Curtis, Kaul Lumber Co., Birmingham, Ala.

Association of Government Disbursing Officers

GEORGE W. EVANS, President

SCOTT NESBIT, Secretary-Treasurer

Address all communications to the Secretary-Treasurer, in care of Coast and Geodetic Survey, Department of Commerce and Labor, Washington, D. C.

OBJECT:

The object of this organization is to increase and better enjoy social relationship between the members and by mutual help or advise to improve the efficiency of the individual as a responsible officer of the United States Government.

MEMBERSHIP QUALIFICATIONS

Any bonded officer of the United States Government whose annual disbursements reach or exceed One Hundred Thousand Dollars is eligible to membership.

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P. O. Box 37, Washington, D. C.

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The annual fee is only twenty-five cents, barely enough to pay expenses. There are no paid officers in the Association.

National Association of Comptrollers and Accounting Officers

Organized February 14, 1906

Office of the Secretary, 280 Broadway, N. Y., Rooms 155-157

OFFICERS, 1909-1910.

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S. M. Wilhite, Treasurer, Comptroller, Louisville, Ky.

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William McK. Evans, Accountant, Richmond, Va.

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Edward E. Phelps, Chief Accountant, Pittsburg, Pa.

Edward Stetson Griffing, Comptroller, New Rochelle, N. Y.

OBJECTS OF THE ASSOCIATION:

"The consideration of improved methods of public finance and the extension of the movement for the installation of a uniform system of State and municipal accounting and reporting throughout the United States, and the promotion of legislation towards these ends."

MEMBERSHIP QUALIFICATIONS.

"All comptrollers, auditors or other accounting or fiscal officers of cities, counties and States in the United States shall be eligible to membership in the Association. Accountants regularly engaged in State and municipal accounting shall also be eligible to membership."

"Each member shall be entitled to a copy of the bound volume of the proceedings of the annual or other conventions of the Association, and to all bulletins or other special publications issued by the Association for the information and benefit of its members."

The cost of membership in the Association is Ten Dollars per annum.

Accountants' Association of the Interstate Commerce Commission

Organized May 5, 1906

1311 G Street N. W., Washington, D. C.

OFFICERS AND COMMITTEES.

Elected at the annual meeting held April 12, 1909, to serve for one year.

OFFICERS.

Fred W. Sweney, President.
Russell H. Snead, Vice-President.
Arnold C. Hansen, Secretary.
Edward D. Myers, Assistant Secretary.
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S. L. Lupton, Chairman.
Lewis A. Bell. William P. Bird.
C. V. Conover. Frank M. Swacker.

OBJECT:

The object of this Association shall be the discussion of topics of common interest, the promotion of efficiency and sociability among members and such other objects as may be approved by the Interstate Commerce Commission.

MEMBERSHIP:

The active membership of this Association shall be confined to Examiners, or other persons of a grade equivalent to Examiners, who are employed in the Bureau of Statistics and Accounts.

Any employee of the Interstate Commerce Commission may be elected to honorary membership.

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5. The **BANK AND QUOTATION SECTION**, a monthly publication of 68 pages, issued the first week in each month, giving the most complete and comprehensive tables of Quotations ever issued, embracing prices of Railroad Bonds and Stocks, Bank and Trust Company Stocks, Municipal Securities, Street Railway Stocks and Bonds and Industrial and Miscellaneous Securities.

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The Government Accountant

VOL. 3

NOVEMBER, 1909

NO. 7

**Set-Off: An Accounting As Well As a Legal
Procedure**

BY N. E. WEBSTER, JR.

The Accounts of a City

BY RICHARD M. CHAPMAN

(PART IV.)

**Revision of the General Accounts and Classified
Expenditure Accounts of the Isthmian
Canal Commission**

EFFECTIVE JULY 1, 1909

Editorial Comment--Association Notes

Official Announcements

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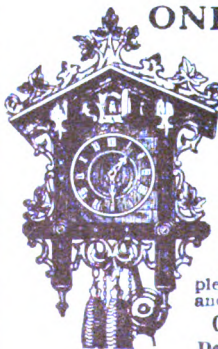
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Published every month under the auspices of the
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Vol. 3

NOVEMBER, 1909

No. 7

Set-off: An Accounting as well as a Legal Procedure.

By N. E. WEBSTER, JR., LL. M., C. P. A.

Synopsis of doctrine as affecting transactions to which the United States is a party, and of the accounting and legal procedure involved.

1. The United States possesses all rights conferred on individuals by the statutes, and may employ set-off in the settlement of mutual liquidated demands arising out of contract between it and any person or persons.

2. When possible the benefit is to be secured by agreement with and consent of the other party.

3. When agreement cannot be obtained the benefit is to be secured (a) by withholding payment of an amount sufficient to satisfy its claim, and, (b) when the claimant's demand has been reduced to judgment, has been allowed by the accounting officers, or is for compensation of an employee, by instituting suit for the claim of the United States.

4. When the claimant sues for the amount withheld, the benefit is to be secured by introducing the claim of the United States as a set-off to that against it, and in part or whole extinction thereof, or as the case may be, for a judgment for the balance.

5. The power and duty to apply set-off as an accounting procedure to secure to the United States the benefit thereof are vested in every administrative officer having to do with the preparation or certification of accounts between the United States and other persons; in every disbursing officer to whom accounts in the form of vouchers are presented for payment; in the accounting officers to whom accounts in the form of claims are presented for direct settlement; and in the Secretary of the Treasury to whom auditors' certificates of settlement are presented for the issuance of pay warrants.

The Government Accountant.

IN GENERAL.

In the following discussion, which is largely in the form of quotations from standard authorities, an attempt is made to distinguish between the application of set-off in accounting practice and its application in legal practice. While both, if permissible, must be legal in the restricted sense of lawful, the word legal as used in the caption is intended to refer to that practice by which a lawful right may be enforced in court through the application of the forms of law.

The accounting application of set-off precedes in point of time the legal application of the same principle and frequently makes the latter unnecessary. But because the expression is more commonly understood as having only the latter meaning, the discussion after some definitions applicable to both phases, will take up first, the legal aspect; second, the accounting aspect; and third, the applicability of the principle to transactions in which the Government is a party.

"Set-off is that which is used to off-set or counter-balance another thing." (Standard Dictionary.)

"The business of the whole world is largely done, increasingly done, by the use of a commercial expedient called set-off; by which one debt is made to pay another debt, and so the mass of debts liquidate themselves and little currency is needed. It is the principle of the clearing house." (Perry Political Economy, p. 359.)

IN LEGAL PRACTICE.

What in accounting is included under the general subject of set-off is, in law, divided into set-off, recoupment and counter-claim. These terms are defined as follows:

"SET-OFF: A set-off is a counter-demand, generally, of a liquidated debt, growing out of an independent transaction, for which an action might be maintained by the defendant against the plaintiff, exhibited by the defendant to counterbalance the plaintiff's recovery, either in part or in whole, and, as the case may be, to recover a judgment in his own favor for the balance." (22 Am. and Eng. Encyc. of Law, 211.)

"RECOUPMENT: Recoupment is the right of the defendant, in the same action, to claim damages from the plaintiff, either because he has not complied with some obligation of the contract upon which he sues, or because he has violated some duty which the law imposes upon him in the making or performance of that contract." (22 Am. and Eng. Encyc. of Law, 344.)

"RECOUPMENT AND SET-OFF DISTINGUISHED: In recoupment the defendant's claim must arise out of the same transaction as the plaintiff's; he can recover no excess; and his claim may be for liquidated or unliquidated damages. In set-off the claims are independent; only liquidated damages can be set off, and the defendant can recover the excess above the plaintiff's claim." (22 Am. and Eng. Encyc. of Law, 344.)

"COUNTERCLAIM: A counterclaim is 'a claim presented by a defendant in opposition to or deduction from the claim of the plaintiff;' an opposition claim or demand of something due; a de-

The Government Accountant.

mand of something which of right belongs to the defendant in opposition to the right of the plaintiff. A counterclaim is a species of set-off or recoupment, introduced by the Codes of Civil Procedure in several of the States, of a broad and liberal character.

"It embraces both set-off and recoupment, and is broader and more comprehensive than either, and is intended to secure to a defendant all the relief which either an action at law or a bill in equity or a cross-bill would have secured on the same state of facts. It is not a mere defense, but admits of affirmative relief beyond the dismissal of the plaintiff's complaint.

"The doctrine of counterclaim being a creature of statute and existing only by virtue of statutory law, reference must be had to the statutes of the different states to ascertain as to its existence as well as its scope and extent in any particular state." (22 Am. and Eng. Encyc. of Law, 371-373.)

"NATURE, ORIGIN AND GENERAL PRINCIPLES OF SET-OFF: Set-off, in the proper sense of the word, is wholly of statutory origin. In the proper sense of a cross-demand, a set-off was, at common law, recoverable only by a separate action.

"While a defendant upon common-law principles, is in general entitled to retain, or claim by way of reduction, all payments made by him, and all just demands and allowances accruing to him, in respect of the same transaction or account, which forms the ground of action, this species of defense is, in this respect, clearly distinguishable not only from set-off, but also from recoupment. Set-off and recoupment do not attack the claim of the plaintiff, but, on the contrary, admit the plaintiff's cause of action, and urge a counter demand, so that the sum awarded to one party may counterbalance that awarded to the other, in whole or in part. For this reason it has been said that they are not true defenses." (22 Am. and Eng. Encyc. of Law, 211.)

"COMMON LAW AND STATUTES: At common law a defendant who was sued by his creditor could not set up a debt due him by the plaintiff, by way of counterbalancing the plaintiff's recovery, although the amount of such debt was the greater. The defendant would be driven to separate action to recover his own claim. This not only tended to multiplicity of suits, but, if the plaintiff happened to be in circumstances of insolvency, often resulted in positive injustice. Even if the plaintiff had become bankrupt, so that his assignees had become entitled to what was owing from the defendant, the law allowed the assignees to recover the whole amount of the defendant's indebtedness, leaving to defendant to go in under the bankruptcy and prove against the bankrupt's estate, and recover a dividend only. The temporary bankrupt act of 4 and 5 Anne ch. 17, effected a mitigation of this evil by allowing a set-off in cases of mutual credits and mutual debts between the bankrupt and any person. This enactment was followed by similar ones, which were designed for the same purpose. But these acts only partially remedied the evil of not allowing set-offs; in all cases, except where the plaintiff was bankrupt, the defendant was still compelled to bring a separate action to recover any sum which might be due him from the plaintiff upon an independent transaction. To remedy the evil of multiplicity of suits, it was enacted in 2 Geo. II, ch. 22, 13, that a defendant might establish a debt against a plaintiff without resorting to a separate action. And these provisions were subsequently made perpetual and extended by 8 Geo. II, ch. 24, 4 and 5. While it seems that these statutes of Geo. II did not become a part of the law of the United States, they have been substantially re-enacted in the different States, though usually without the restriction as to penalties." (22 Am. and Eng. Encyc. of Law, 222.)

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"FAILURE TO USE: In the absence of evidence of any mutual and open accounts, a set-off may be withdrawn.

"The distinction between set-off and a defense in the technical sense is well illustrated in the rule that a set-off may be used or not, at pleasure. If a defendant in an action has a defense thereto, he must, in general, defend and protect his rights; for if he omit to do so, he cannot afterwards, as plaintiff, sue for such rights. But, unless, there are provisions in the statutes which expressly provide differently, a defendant may use or not use his claim in set-off when an opportunity is presented, without impairing his right to establish his claim in a separate action, or to use it in a subsequent action by the same plaintiff, or to plead it to an action on the judgment. And where the defendant is not prepared, at the time the plaintiff sues him, to prove his demand, it is most advisable not to plead or give notice of set-off, for in case he should go into evidence upon the trial in support of his cross-demand, and fail in the attempt, he cannot afterwards proceed in an action for the amount. It is, however, better that a claim should be settled by set-off, when that can properly be done, because it saves both expense and time to do this. And courts have censured parties for not pleading a demand by way of set-off, when there was nothing to show that it might not have been made perfectly available to the defendant in that way. Besides, the possibility of the plaintiff in the action in which a demand can be set-off becoming insolvent before an independent action can be instituted and judgment recovered, should be considered. But it has been held that when a judgment creditor becomes insolvent after obtaining his judgment, equity may compel allowance of any set-off the debtor may have against him, though it existed at the time suit was brought, provided it was not adjudicated against the suit." (22 Am. and Eng. Encyc. of Law, 231.)

"RELINQUISHMENT AND DEPRIVATION OF RIGHT: It has been held that the right of set-off may be insisted on, though an express promise has been made to relinquish it. Although goods were to be paid for in ready money when delivered, it was under the English statute, held that the defendant, in a suit for the price, might plead a set-off.

"A party cannot be deprived of his right of set-off by anything less than a contract.

"It seems that, under the general well-settled doctrine that a person may waive many statutory or constitutional provisions intended for his benefit, a party entitled to a right of set-off may waive it by an agreement deliberately made upon a good consideration." (22 Am. and Eng. Encyc. of Law, 234.)

"WHAT MAY BE THE SUBJECT OF SET-OFF: With regard to the nature of the demands to be set-off against each other the common provisions of the statutes specify only mutual debts; consequently, a claim, in order to be the subject of set-off, must, like the demand against which it may be opposed, be in the nature of a debt, and not of unliquidated damages. And this is as far as the privilege of set-off can be allowed consistently with expediency and justice; for, were it more generally allowed, as the proceedings is of a summary nature, the parties must be deprived of the ordinary modes of trial of controverted claims and of the established methods of review and redress for error; besides, where the plaintiff's claim is for a certain amount, no rule ought to be favored which would permit the defendant to urge an independent unliquidated claim as a set-off thereto, and thereby delay the plaintiff's recovery for the length of time necessary to ascertain the amount due the defendant, when it is considered that a great length of time might be necessary to ascertain the amount.

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and that even then the claim might fail for want of proof." (22 Am. and Eng. Encyc. of Law, 245.)

"REQUIREMENT OF MUTUALITY AS TO CLAIMS IN SET-OFF: The statutes of set-off, whether they extend the right to "debts," "claims," "demands," or other causes of action, commonly require that they should be mutual, i. e., exist between parties to the action. It would seem to result no less from the construction of the terms of the statute than the fact that set-off is, in effect, a cross-action by the defendant against the plaintiff, that the matters sought to be set off must be due from all the parties plaintiff to all the parties defendant in the action, and from and to those persons only who are parties to the action." (22 Am. and Eng. Encyc. of Law, 280.)

"A set-off is a demand which a defendant makes against the plaintiff in a suit, for the purpose of liquidating the whole or a part of his claim; in law, when the defendant acknowledges the justice of the plaintiff's demand on the one hand, but on the other sets up a demand of his own to counterbalance that of the plaintiff, either in whole or in part. The term "set-off" implies mutual demands between the plaintiff and the defendant. The one party, when demanded of by the other to pay, responds that he also has a demand against the demandant, which he proposed to set off in whole or in part satisfaction of the demand made against him." (In re Oliver 109 Fed., 784.)

"SET-OFFS OF ONE JUDGMENT AGAINST ANOTHER: Where reciprocal claims between different parties have passed into judgment, it is the established practice of the courts to set-off one judgment against another, and enter satisfaction of both to the amount of the smaller demand; and judgment for one party may be withheld until the other, by using due diligence, may obtain his judgment, so that the one may be set off against the other, or that the one execution may balance the other.

"A debt remains mutual after verdict, as well as before, the verdict amounting to conclusive evidence of the debt only, and leaving the right of set-off as it was before. And though the claims between the parties were not mutual, so that they could not be set off against each other before judgment, when both have passed into judgment, one will be set off against the other, if equity requires it, the general rule being that judgments may be set off against each other whenever executions issued upon them could be legally set off, one against the other, by the officer having them in his hands for service." (22 Am. and Eng. Encyc. of Law, 445.)

"POWER TO SET-OFF JUDGMENTS: The power to set-off one judgment against another, does not rest upon any statute, but upon the general jurisdiction of courts over their suitors, and their general superintendence, of proceedings before them." (22 Am. and Eng. Encyc. of Law, 446.)

IN ACCOUNTING PRACTICE.

A purely accounting definition of set-off has not been found in any work consulted. The general definition has already been stated as "that which is used to off-set or counterbalance another thing." In accounting this can only mean that which is a proper debit against an existing credit, the placing of an amount receivable against an amount payable.

This, men have always attempted to do. A debtor who con-

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siders that he has a counter-demand against his creditor, whether growing out of the same or some other transaction, attempts to secure to himself the advantage thereof through some one of a series of steps which begin in accounting and end in legal proceedings. The first step is when, through agreement, he seeks his creditors' consent to the deduction. The second is when, failing agreement, he invokes the law of might and withholds payment. The third is when, in opposition to his creditors' attempt to compel payment by an action at law, he sets up his claim for set-off.

Naturally the decisions have been upon cases which have reached the third stage, legal proceedings, but in upholding set-off in its legal application, the courts have also established the propriety of its employment in accounting practice, both by agreement and by the withholding of payment.

By Agreement.—"Disconnected and independent claims cannot, except by agreement, or by virtue of the statute of set-off, be applied to the extinguishment of each other." (*Storkey vs. Peters*, 18 Conn., 181.)

By Withholding Payment.—"The United States possesses the general right to apply all sums due for such pay and emoluments, to the extinguishment of any balances due to them by the defendant on any other account, whether owed by him as a private individual, or as chief engineer. It is but the exercise of the common right, which belongs to every creditor, to apply the unappropriated moneys of his creditor, in his hands, in extinguishment of the debts due to him." (*Gratiot vs. United States*, 15 Peters, 370.)

WHEN THE UNITED STATES IS A PARTY.

The specific provisions of law applicable to cases where the Government is a party are as follows:

"All claims and demands whatever by the United States or against them, and all accounts whatever in which the United States is concerned, either as debtors or as creditors, shall be settled and adjusted in the Department of the Treasury." (Sec. 236, R. S., from Act of March 3, 1817, ch. 45, 3 Stat. 366.)

"No money shall be paid to any person for his compensation who is in arrears to the United States, until he has accounted for and paid into the Treasury all sums for which he may be liable. In all cases where the pay or salary of any person is withheld in pursuance of this section, the accounting officers of the Treasury, if required to do so by the party, his agent or attorney shall report forthwith to the Solicitor of the Treasury the balance due; and the Solicitor shall, within sixty days thereafter, order suit to be commenced against such delinquent and his sureties." (Sec. 1766, R. S., from Act of Jan. 25, 1828, ch. 2, 4 Stat., 246, and Act of May 20, 1836, ch. 77, 5 Stat. 31.)

"That when any final judgment recovered against the United States or other claim duly allowed by legal authority shall be presented to the Secretary of the Treasury for payment, and the plaintiff or claimant therein shall be indebted to the United States in any manner, whether as principal or surety, it shall be the duty of the Secretary to withhold payment of an amount of such judg-

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ment or claim equal to the debt thus due to the United States; and if such plaintiff or claimant assents to such set-off, and discharges his judgment or an amount thereof equal to said debt or claim, the Secretary shall execute a discharge of the debt due from the plaintiff to the United States. But if such plaintiff, or claimant, denies his indebtedness to the United States, or refuses to consent to the set-off, then the Secretary shall withhold payment of such further amount of such judgment, or claim, as in his opinion will be sufficient to cover all legal charges and costs in prosecuting the debt of the United States to final judgment. And if such debt is not already in suit, it shall be the duty of the Secretary to cause legal proceedings to be immediately commenced to enforce the same, and to cause the same to be prosecuted to final judgment with all reasonable dispatch. And if in such action judgment shall be rendered against the United States, or the amount recovered for debt and costs shall be less than the amount so withheld as before provided, the balance shall then be paid over to such plaintiff by such Secretary with six per cent interest, thereon for the time it has been withheld from the plaintiff." (18 Stat. L., 481, from Act of Mar. 3, 1875, ch. 149.)

"The right to set-off, in settlements between the Government and individuals, has been so repeatedly recognized by the courts that it is no longer an open question." (3 Digest, 2 Comp., Sec. 1284.)

"The right to set-off a debt due exists in favor of the United States, whether the debtor be a State or a person.

"This arises from the authority conferred on the accounting officers to adjust and settle accounts in favor of, as well as against, the United States. The settlement of an account involves a settlement of debit and credit, and the striking of a balance due, and no payment can be required beyond the amount found due.

"The doctrine of accounting is derived from the civil law, from which it was adopted into modern systems of jurisprudence. This doctrine was in that law known as *compensatio*, which, as the etymology of the word—*pend-o*—shows, is the act of making things equivalent. It is defined by Modestinus to be *debiti et crediti inter se contributio*. The object of *compensatio*, as in set-off, was the prevention of unnecessary suits and payments. Under the ancient rules of pleading, *compensatio* was permitted only (1) *exadem causa*, in *actiones stricti juris*, in which the injury and verdict of the *judex* were limited, in the matter submitted for trial, to the precise and strict terms of the Praetor's formula, which set forth the subject matter of the action, the claim of the plaintiff, conferred jurisdiction on the *judex* to adjudicate, and directed him to condemn the defendant in a sum of money, or else to acquit him; and (2) in *actiones bonae fidei*, in which, similarly as in our equity jurisdiction, and as implied in the nature of the action, more latitude was allowed in the pleadings, and a wider jurisdiction was conferred upon the *judex* by the *formula* delivered to him by the Praetor. By a rescript of M. Aurelius, the *exceptio compensatio*, or plea of set-off, was admitted in actions as fully as is provided in modern statutes.

"The usage has always been made to make the set-off in adjusting claims of creditors of the United States; and usage sufficiently continued, when not clearly against a statute, is law. It is evidence of what the law is.

"The right to make the set-off is fully supported by authority. In *Gratiot vs. The United States* (15 Peters, 370) it was said by the Supreme Court, in relation to the right of the Government to make a set-off in adjusting accounts, that—

"It is but the exercise of the common right which be-

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longs to every creditor, to apply the unappropriated moneys of his debtor, in his hands, in extinguishment of the debts due to him.'

"The act of March 3, 1875 (18 Stat., 481) is not material in this case, except as it may apply to a right now to make a set-off, or involve the question of a duty to commence proceedings in court on a disputed question of set-off.

"The usage already referred to, of making set-off, is as applicable now as ever heretofore, unless the power has been abridged by the act of 1875; and it does not appear that the act has such effect.

"It is an enabling, and perhaps unnecessary, act for all purposes of a right to make a set-off. It disables nothing. It is not negative in its terms, and hence repeals no usage founded on law previously existing. A negative statute controls and takes away a statutory or a common law right or remedy previously existing but an affirmative statute has no such effect.

"The statute is remedial, and by a well-known rule of construction, is to be liberally construed. But it is not necessary to invoke even this rule. The terms of the act apply alike to persons who can, and to those who cannot, be sued, and to cases in which suit cannot be instituted, as well as to those in which legal proceedings can be commenced and enforced. If a claimant reside abroad, where he is not amenable to the process of our courts, the statutes give the right to make the set-off. The fact that every remedy given by the statute cannot be pursued in every case, and in every mode, cannot, according to any fair rule of construction, be used to defeat entirely the right of set-off. The act can only mean, then, that when the right to make a set-off against a claimant is by him disputed, the Secretary must, 'cause legal proceedings to be immediately commenced' in those cases where such suits can be lawfully commenced. It does not give a new jurisdiction to courts or require an impossibility. It is not a repealing act. It leaves in force all the statutes giving jurisdiction to accounting officers and finally to the adjudications of the Comptroller. It is to be read with these acts, and to be so construed as to take away none of their provisions. When it declares, 'It shall be the duty of the Secretary to withhold payment,' this means that in those cases adjudicated by the Comptroller, the payment is to be withheld in accordance with such adjudications; and payment may perhaps be withheld in other cases, in anticipation of the adjustment of accounts. And, clearly, it cannot authorize a payment by order of the Secretary in opposition to such an adjudication, since that would make it operate as a repeal in part of section 191 of the Revised Statutes." (2 Lawrence, 1st Comp. Dec., 315 *et seq.*)

"The right of set-off, where the Government is both debtor and creditor, is established and provided for by this section (1766 R. S.), and by the Act of March 3, 1875, ch. 149, 18 Stat. 481, but it exists independently of those enactments and is founded upon R. E. Section 236." (Taggart's Case, 17 Ct. Cl., 322.)

"From an early day the accounting officers have been accustomed, in the course of settling ordinary accounts in the Treasury Department, to set off one debt against another, when a claimant is both debtor and creditor, and that practice has been sustained by judicial determination as legal and proper, without any express statute on the subject." (Bonnafon vs. U. S., 14 Ct. Cl., 489.)

"And it may be regarded as settled law, in accordance with the uniform practice, that the accounting officers have jurisdiction, in proper cases, in the course of settling accounts in the Treasury Department, to set off one debt against another, when a claimant is both debtor and creditor." (McKnight vs. U. S., 13 Ct. Cl., 306, affirmed on appeal 98 U. S., 179.)

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HOW AND BY WHOM APPLIED.

It has already been noted that in practice generally the accounting application is, first, by seeking agreement to a settlement thereon, and second, by withholding payment; and that the legal application is then by its introduction as a defense when the creditor shall have brought suit for the amount withheld. Exactly the same procedure is prescribed by the Act of March 3, 1875 (18 Stat., 481) in cases where the Government is a party.

"The Secretary must inform the judgment creditor of the amount of debt claimed against him, that he may make his election, whether he consents to the set-off, accepts the balance, and will discharge his judgment, or denies the indebtedness and refuses to consent thereto. In the former case it becomes a voluntary settlement upon the execution of the proper discharges contemplated by the Act, whether or not the claim set up by the Secretary is a legal and valid debt which could be enforced at law, becomes immaterial, since the debtor has waived his right to have it tested by proceedings in court, and he is estopped from setting up any further claim on his judgment." (*Bonnafon vs. U. S.*, 14 Ct. Cl., 490.)

"The Auditor, in his report upon this appeal, says that the settlement was made and the money withheld upon what he supposed to be the authority and consent of the claimant, and quotes from several communications from the latter in support of his conclusion.

"There is ample authority in these utterances to justify the Auditor's conclusions, and I find as a fact that the claimant assented in advance to the settlements as made by the Auditor. Therefore the latter did not err in withholding from his judgment account an amount sufficient to pay the balance due from him on account of excess of emoluments." (7 Comp., 589.)

The statute prescribing the procedure places the duty of taking advantage of set-off upon the Secretary of the Treasury in cases presented to him for payment (drawing of a warrant) after judgment or due allowance by legal authority (the accounting officers). But the accounting officers have long had the power and been charged with the duty of making the application of set-off, and this power and duty were not affected by the Act of March 3, 1875 (18 Stat., 481).

"Where a person is both debtor and creditor of the Government in any form, the accounting officers are required by law to set off the one indebtedness against the other and certify only the balance." (*Taggart's Case*, 17 Ct. Cl., 322.)

"It is among the general duties of the Treasury Department through the accounting officers to settle all claims and demands by and against the United States, and in proper cases to set off one against the other when the Government is both debtor and creditor of the same party." (*Howes vs. U. S.*, 24 Ct. Cl., 170.)

"The Treasury is in the possession of adequate power to guard the United States against the payment of judgments or claims, where there exists in the department a demand against the claimant which is a proper subject of set-off." (*The Schooner Henry and Gustavus*, 35 Ct. Cl., 393.)

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"It is within the power and province of the Treasury Department to withhold from a contractor the amount due him on one contract to reimburse the United States for work imperfectly done, improperly inspected, and wrongfully paid for under other contracts." (2 Digest 2d Comp., Sec. 319.)

"When the Second Comptroller certifies an amount due to a person who is a debtor in a larger amount upon a settlement of the First Comptroller, he should certify the amount due subject to the set-off, and recommend to the Secretary to whom such certificate is transmitted that it be forwarded to the First Comptroller, in order that the debtor's account may be restated and such credit entered. When the indebtedness declared by the First Comptroller is smaller than the amount of the claim in question, the set-off should be made in the office of the Second Comptroller and the balance certified to the proper Secretary for payment. Transfer requisitions can afterwards be issued to adjust the appropriations." (3 Digest 2d Comp., Sec. 1285.)

"The right to make the set-off on general principles is well settled. The Supreme Court of the United States has said of the right of the Government to make a set-off in adjusting accounts, that 'it is but the exercise of a common right which belongs to every creditor, to apply the unappropriated moneys of his debtor in his hands in extinguishment of the debts due to him.' In Taggart's Case (17 Ct. Cl., 322) the syllabus says that in such case 'the accounting officers are required by law to set-off the one indebtedness against the other, and certify only the balance.' The power to make the set-off arises from the authority to settle and adjust accounts and is imposed on the Comptrollers by the duty to certify the balances, that is the amounts remaining due.

"The set-off, when thus made, cannot be changed by the Secretary of the Treasury, or by any authority except Congress or the courts. The Secretary is not charged with any duty in such case under the Act of March 3, 1875. But the right of the United States to make the set-off is so carefully guarded that if the accounting officers refuse or neglect to make it, the Secretary is, perhaps, by the Act of March 3, 1875, required to make it, and in certain cases therein prescribed, to cause legal proceedings to be commenced to determine the rights of parties interested." (4 Lawrence, 1st Comp., 359.)

Were all claims against the United States originally adjusted by the direct settlements of the accounting officers it would not be necessary to inquire as to the authority of other officers to apply set-off in accounting practice. But it so happens that by far the greater number of debts due by the Government are paid by disbursing officers upon the certification of administrative officers and if the principle of set-off is not applied by them, the opportunity to thus protect the interests of the Government has passed when the matters come before the accounting officers upon settlement of the disbursing officers' accounts. It has been, however, held that the Government (not specified agents thereof) possesses the right of set-off and that it may properly be applied at any stage in the accounting.

"Without the aid of any statute, and on the general principles of law applicable between debtor and creditor, of which the Government, as well as private persons, may take advantage, it is the right of the United States to withhold the sum it thus owes, and

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apply it on the debt so due to it." (4 Lawrence, 1st Comp., 105.)

"It is well established that where a person has money in his possession belonging to or due to another who is indebted to him, he is not required by law to pay over the money held by him, without reimbursing himself, and then to bring suit for his own debt; but he may withhold an amount sufficient to satisfy such debt. In such case, if his creditor denies his right to the money so withheld, the burden is upon him to bring suit therefor and have the question of right determined by the courts. The Government has the same right of withholding payment under these circumstances that a citizen has, neither a greater nor a lesser right." (8 Comp. 26.)

"The Government having in its possession money due it from a party is not obliged to turn over the money to the party and go into court to establish its claim thereto. The Government in a settlement under one contract, having due regard to the legal rights of all other persons, may withhold moneys due it from the same contractor under a former contract." (15 Comp., 286.)

Accordingly it has been held that disbursing officers should withhold payments when vouchers are presented to them for payments to persons who are indebted to the United States.

"If there be unpaid balances due the contractor for work actually performed before his default on the first two contracts, it is clearly the right and duty of the disbursing officer to retain them pending a final settlement of all the contracts." (2 Comp., 430.)

"It is the duty of disbursing officers of the United States in making payments from moneys of the United States in their custody to take appropriate measures for the protection of the interests of the United States, whose agents they are, and when any claim or voucher is presented to them for payment which they have reason to think would not be paid on presentation to the Treasury Department, it is their duty to refuse payment thereof, leaving the claimant to pursue his legal rights before that Department as provided by law." (11 Comp., 783.)

"These statutes (18 Stat., 481 and Sec. 1766, R. S.) provide, in the case of the claimant, that if he denies his indebtedness, or in the case of the person in arrears, that if he requires it, suit shall be brought by the Government instead of casting this burden upon them.

"It is to be observed that this section is directed to executive officers of the Government and not to the courts. The subjects of the statute is money to 'be paid' for 'compensation,' which is done by those officers, and not by the courts. Moreover, it directs that 'the accounting officers of the Treasury,' if required to do so by the person in arrears, 'shall report forthwith to the Solicitor of the Treasury the balance due,' who is required to order suit to be commenced at once. It is only by the suit brought, after withholding payment, that it can be determined whether there is ultimately a legal liability or not. But if the person is in arrears there is, *prima facie*, a legal liability, in which case the statute is mandatory upon the executive officers.

"The right to withhold payment must necessarily imply the use of appropriate means to effect it. I have, therefore, to advise you that you are not authorized to make any payment to Mr. W. from public moneys in your possession until the amount of his indebtedness has been liquidated." (10 Comp., 292.)

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But it is also the right and duty of administrative officers, heads of departments and their subordinates, to secure to the Government the benefit of set-off by withholding certification or approval of account looking to payments to be made by disbursing officers or the Treasury Department unless the claimant consents to a settlement at one time of all mutual demands between him and the United States. To this effect are the following decisions all made to such administrative officers:

"The course suggested in the foregoing letter (to 'deduct the amount of loss on contract No. 1 from the amount due on contract No. 2 and pay the balance to Mr. B., at the same time releasing him from his obligations under contract No. 1') is the proper one to pursue. It is well settled that where a contractor has entered into two or more contracts with the United States, and has fulfilled one of them but has failed to perform the other, the United States, in settling with him, may lawfully deduct from the money due on the executed contract the amount of the forfeiture stipulated to be paid in the other contract, in the event of the failure on the part of the contractor to perform it." (6 Comp., 346.)

"The equitable right to retain the money now due the contractors under the War Department contracts to meet probable loss under the navy contract under the circumstances is more a matter of public policy than of law. Unless there has now a definite amount of damages accrued under the navy contract, which is the proper subject of a set-off, the matter of withholding money due the company rests more with your discretion, having due regard for the public interests." (7 Comp., 218.)

"Under this statute (18 Stat., 481) set-off may be made by the Secretary of the Treasury against any person to whom the United States is indebted after the claim has been duly allowed. Where the matter is proper for set-off, the right to withhold payment from a claimant until his liability as a debtor to the United States is determined and until the necessity of enforcing such liability is ascertained, is well settled as a part of the system of national executive law. Usage has made it law. But this right to withhold payment for a reasonable time could not exist if the further right did not exist to make the set-off, when the claims on both sides shall be finally adjusted. The law of set-off does not apply to torts in the nature of trespass." (15 Comp., 114.)

It is proper to state that there are a few early opinions and decisions denying or limiting the Government's right of set-off as set out herein. So far as known these conflicting authorities are limited to certain opinions of Attorneys-General (1 Op. Att.-Gen., 617; 1 *id.* 676; 3 *id.* 52; and 4 *id.* 33) and two decisions of the Second Comptroller of the Treasury (3 Digest 2d Comp. Secs. 1044 and 1287). These holdings appear to have been overruled and abandoned and are not the present law. A discussion of various phases of the subject and many citations may be found in the following decisions of the First Comptroller of the Treasury. Georgia Case (4 Lawrence, 1st Comp. Dec., 354); Pease's Case (4 *id.* 501); and Humphrey's Case 5 *id.* 408).

It may therefore be stated as a rule without exception that, when payment is demanded by a creditor who is also indebted

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to the debtor for a liquidated amount (and possibly for an unliquidated amount in process of determination) arising out of contract, the debtor has the right in accounting practice to withhold payment of an amount equal to that owing to him and to state an account showing the mutual debts owing to and by the creditor set off one against the other; and has the right in legal practice to take advantage of the appropriate remedy provided in the law of set-off, recoupment and counterclaim to the end that judgment shall be rendered upon his claim against the creditor coincidentally with that given upon his debt to the creditor.

Moreover, in cases where the United States is one party to the transaction, it is the duty of each and every officer having to do with the details of settlement and as an agent not authorized to surrender any rights belonging to his principal, to protect its interests by taking advantage of the right of set-off both in accounting and legal practice.

The Accounts of a City.

BY RICHARD M. CHAPMAN, C. P. A.

(Continued.)

SYNOPSIS OF PRECEDING NUMBERS.

The Development of Municipal Accounting:—Changes in Method and Procedure contemplated. Merits of former Expedients. Scope of Thesis. Governing Distinctions. Form of Presentation and Illustration of subject adopted. Appropriation Funds and Provision therefor. Assessment Funds. Taxes and Assessments differentiated. Interest on and Redemption of Assessment Bonds. Water Revenue and Maintenance. Receiving and Collecting Officers. Bond Funds. Special Funds. Accounts Current. Primary Classification of Receipts. Liquidation of Imposts. Application of Miscellaneous Revenues. Refunding of Taxes, Assessments and Water Rates paid in error. Refunds of Miscellaneous Revenues. Characteristics of different types of Funds. "A" Warrants Drawn against Appropriations. "B" Warrants drawn against Special and Trust Accounts. Audit, Registration, Payment, and Cancellation of Warrants. Significance of the Balances of Fund, Warrant and Cash Accounts.

ENTRY 15.

8. Collector of Arrears of Taxes.....	\$1,526,446.22	
5. To Receivers of Taxes.....		1,526,446.22

ENTRY 16.

9. Collector of Arrears of Water Rates.....	\$92,346.78	
7. To Receiver of Water Rates.....		92,346.78

For transfer of balances of the amount of taxes and water rates from the respective receivers to the respective collectors of arrears, coincidentally with the transmission of rolls of uncollected items at the close of the receiving period, for the purpose of closing the accounts of the said receivers with respect to said year's imposts, and re-establishing the liability and duty of collection against officials charged with the collection of arrears.

Under ordinary circumstances the receivers continue to collect on the preceding year's roll until some time after being charged with the roll following, and are therefore collecting

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on two separate year's accounts before the transfer indicated by these entries. This occasions a balance at the beginning and at the end of each fiscal year on the receivers' as well as on the collectors' accounts, but to simplify the illustration we have assumed the current year's tax to have been collected during the current year and the uncollected balance transferred before the year's end, leaving only the collectors' accounts with balances at the close of the period illustrated.

The practice of maintaining separate bureaus for the collection of current taxes and water rates, during a prescribed period, from the collection of the arrears thereof after the termination of such period, is so generally mandatory under existing charters that its recognition in the scheme of accounts here outlined is accordingly necessary to render it in any sense a complete reflection of established processes.

In the writer's opinion, however, the city charter should provide for the collection of all imposts by the receiving officers for a period of three years from the date of the confirmation of each roll, after which the uncollected items of taxes and water rates, and of assessments actually in arrears for said maximum period should be certified for tax, water or assessment sale, thereby effecting an absolute and final liquidation or disposition of every item on every roll after three years from the date payment thereon first became due.

ENTRY 17.

3. Appropriation Funds, 1907, and previous years.....	\$15,277.71
(A separate account for each year's fund.)	
2. To General Fund.....	15,277.71

For transfer of unexpended surplus balances of former year's appropriations to the "General Fund for the Reduction of Taxation."

Any balance of appropriations remaining unexpended at the close of the fiscal year, which the properly constituted authority may determine not to be necessary or to be in excess of the amount required therefor, after allowing sufficient to satisfy all claims payable therefrom, may, at any time, but not less than a prescribed interval after the expiration of the year for which such appropriations were made, be transferred by the comptroller to the General Fund of the city and applied to the reduction of succeeding taxation.

In order that the foregoing entries may be readily traced to the ledger accounts to which they give rise and the double entry scheme of the accounts demonstrated, they are here repeated without explanatory text and in close formation, followed by a skeleton of the general ledger showing the controlling accounts operated, and trial balances thereof showing the opening and closing balances and the intervening volume of the transactions of the fiscal year, assumed for the purpose of illustration.

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CITY TREASURY—JOURNAL.

—1—		
1. Appropriation and Provision, 1908.....	\$10,981,759.30	
4. To Appropriation Funds, 1908.....		10,981,759.30
—2—		
1. Sundries: To Appropriation and Provision, 1908..		10,981,759.30
5. Receiver of Taxes	8,898,564.59	
2. General Fund	2,083,194.73	
—3—		
6. Receiver of Assessments.....	772,806.24	
11. To Assessment Funds.....		772,806.24
—4—		
7. Receiver of Water Rates.....	976,550.07	
13. To Special Funds.....		976,550.07
—5—		
13. City Treasurer: To Sundries	23,766,805.16	
5. Receivers of Taxes.....		7,379,185.63
6. Receiver of Assessments....		696,338.69
7. Receiver of Water Rates....		885,941.02
8. Collector of Arrs. Taxes....		1,453,049.42
9. Collector of Arrears of Water Rates		77,140.14
10. Bond Funds		10,154,590.39
17. Misc. City Revenue		3,120,056.87
—6—		
13. Sundries: To Special Funds.....		16,454.60
5. Receiver of Taxes	7,070.28	
6. Receiver of Assessments	1,390.19	
7. Receiver of Water Rates.....	1,737.73	
8. Collector of Arrears of Taxes.....	5,845.89	
9. Collector of Arrears of Water Rates.....	410.41	
—7—		
17. Miscellaneous City Revenue: To Sundries....	3,120,056.87	
3. Appropriation Funds, 1907, and Previous Years..		14,022.59
4. Appropriation Funds, 1908		26,781.95
10. Bond Funds		15,993.27
11. Assessment Funds		30,912.24
12. Trust Funds		80,490.63
13. Special Funds		870,169.26
2. General Fund		2,071,686.98
—8—		
3. Appropriation Funds, 1907, and previous Years...	482,910.69	
14. To "A" Warrants, 1907, and previous Years.....		482,910.69
—9—		
4. Appropriation Funds, 1908	9,994,274.82	
15. To "A" Warrants, 1908		9,994,278.82
—10—		
16. Sundries: To "B" Warrants.....		12,610,881.43
10. Bond Funds	9,872,448.29	
11. Assessment Funds	800,100.44	
12. Trust Funds	87,380.92	
13. Special Funds	1,850,254.55	
2. General Fund	697.23	
—11—		
14. "A" Warrants, 1907, and Previous Years.....	18,383.51	
3. To Appropriation Funds, 1907, and Previous Years..		18,383.51

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—12—

15.	"A" Warrants, 1908	18,241.03	
4.	To Appropriation Funds, 1908.....		18,241.08

—13—

16.	"B" Warrants: To Sundries	3,406.79	
10.	Bond Funds		741.14
11.	Assessment Funds		1,109.00
12.	Trust Funds		824.22
13.	Special Funds		666.00
2.	General Fund		65.43

—14—

18.	Sundries: To City Treasurer.....		23,060,122.00
14.	"A" Warrants, 1907, and Previous Years.....	697,683.79	
15.	"A" Warrants, 1908	9,867,096.50	
16.	"B" Warrants	12,495,341.80	

—15—

8.	Collector of Arrears of Taxes.....	1,526,446.22	
5.	To Receiver of Taxes.....		1,526,446.22

—16—

9.	Collector of Arrears of Water Rates.....	92,346.78	
7.	To Receiver of Water Rates.....		92,346.78

—17—

3.	Appropriation Funds, 1907, and Previous Years.....	15,277.71	
2.	To General Fund		15,277.71

CITY TREASURER—LEDGER.

1. Appropriation and Provision.

1.	Appropriation Funds, 1908.....	\$10,981,759.30	
2.	Sundries		<u>10,981,759.30</u>

2. General Fund.

2.	Appropriation and Provision	2,083,194.73	
10.	"B" Warrants	697.23	
	Balance, 31 Dec., 1908.....	6,314.99	
			<u>\$2,090,206.95</u>
	Balance, 31 Dec., 1907.....	3,176.88	
7.	Miscel. City Revenue	2,071,686.93	
13.	"B" Warrants	65.43	
17.	Appropriation Funds, '07 & p.....	15,277.71	
			<u>2,090,206.95</u>

3. Appropriation Funds—1907 and Previous Years.

8.	"A" Warrants, 1907 & p.....	482,910.69	
17.	General Fund	15,277.71	
	Balance, 31 Dec., 1908.....	663,820.32	
			<u>1,162,008.72</u>
	Balance, 31 Dec., 1907.....	1,129,602.62	
11.	"A" Warrants, 1907 & p.....	18,383.51	
7.	Miscel. City Revenue	14,022.59	
			<u>1,162,008.72</u>

4. Appropriation Funds, 1908.

9.	"A" Warrants, 1908	9,994,278.82	
	Balance, 31 Dec., 1908.....	1,032,503.46	
			<u>11,026,782.28</u>
1.	Appropriation and Provision	10,981,759.30	
12.	"A" Warrants, 1908	18,241.03	
7.	Miscel. City Revenue	26,781.95	
			<u>11,026,782.28</u>

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5. Receiver of Taxes, 1908.

2. Appropriation and Provision.....	8,898,564.57	
6. Special Funds	<u>7,070.28</u>	8,905,634.85
5. City Treasurer	7,379,188.63	
Collector of Arrears Taxes.....	<u>1,526,446.22</u>	<u>8,905,634.85</u>

6. Receiver of Assessments.

Balance, 31 Dec., 1907	2,439,527.01	
3. Assessment Funds	<u>772,806.24</u>	
6. Special Funds	<u>1,390.19</u>	3,213,723.44
5. City Treasurer	696,338.69	
Balance, 31 Dec., 1908.....	<u>2,517,384.75</u>	<u>3,213,723.44</u>

7. Receiver of Water Rates.

4. Special Funds	976,550.07	
6. Special Funds	<u>1,787.73</u>	978,287.80
5. City Treasurer	885,941.02	
16. Collector of Arrears Water.....	<u>92,346.78</u>	<u>978,287.80</u>

8. Collector of Arrears of Taxes.

Balance, 31 Dec., 1907.....	3,486,455.75	
15. Receiver of Taxes	<u>1,526,446.22</u>	
6. Special Funds	<u>5,845.99</u>	5,018,747.96
5. City Treasurer	1,453,049.42	
Balance, 31 Dec., 1908.....	<u>3,565,698.54</u>	<u>5,018,747.96</u>

9. Collector of Arrears of Water Rates.

Balance, 31 Dec., 1907.....	78,965.66	
16. Receiver of Water Rates.....	<u>92,346.78</u>	
6. Special Funds	<u>410.41</u>	171,722.85
5. City Treasurer	77,140.14	
Balance, 31 Dec., 1908.....	<u>94,582.71</u>	<u>171,722.85</u>

10. Bond Funds

10. "B" Warrants	9,872,448.29	
Balance, 31 Dec., 1908.....	<u>4,702,274.93</u>	14,574,723.22
Balance, 31 Dec., 1907.....	4,403,398.42	
5. City Treasurer	<u>10,154,590.89</u>	
7. Miscel. City Revenue	<u>15,993.27</u>	
18. "B" Warrants	<u>741.14</u>	<u>14,574,723.22</u>

11. Assessment Funds.

10. "B" Warrants	800,100.44	
Balance, 31 Dec., 1908.....	<u>1,399,583.32</u>	2,199,683.76
Balance, 31 Dec., 1907.....	1,394,856.28	
3. Receiver of Assessments	<u>772,806.24</u>	
7. Miscel. City Revenue	<u>30,912.24</u>	
13. "B" Warrants	<u>1,109.00</u>	<u>2,199,683.76</u>

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12. Trust Funds.

10. "B" Warrants	87,330.92	
Balance, 31 Dec., 1908.....	<u>63,358.46</u>	150,739.38
Balance, 31 Dec., 1907.....	59,424.53	
3. Misc. City Revenue	90,490.63	
13. "B" Warrants	<u>824.22</u>	<u>150,739.38</u>

13. Special Funds.

10. "B" Warrants	1,850,254.55	
Balance, 31 Dec., 1908.....	<u>1,069,832.97</u>	2,920,087.52
Balance, 31 Dec., 1907.....	1,056,247.59	
4. Receiver of Water Rates.....	978,550.07	
6. Sundries	16,454.60	
7. Miscel. City Revenue.....	870,169.26	
13. "B" Warrants	<u>666.00</u>	<u>2,920,087.52</u>

14. "A" Warrants, 1907, and Previous Years.

11. Appropriation Funds, 1907, and p.....	18,383.51	
14. City Treasurer	697,683.79	
Balance, 31 Dec., 1908.....	<u>67,036.72</u>	783,104.02
Balance, 31 Dec., 1907.....	300,193.33	
8. Appropriation Funds, 1907, and previous years.	<u>482,910.69</u>	<u>783,104.02</u>

15. "A" Warrants, 1908.

12. Appropriation Funds, 1908	18,241.03	
14. City Treasurer	9,867,096.50	
Balance, 31 Dec., 1908.....	<u>108,941.29</u>	9,994,278.82
9. Appropriation Funds, 1908	<u>9,994,278.82</u>	<u>9,994,278.82</u>

16. "B" Warrants.

13. Sundries	3,405.79	
14. City Treasurer	12,495,341.80	
Balance, 31 Dec., 1908.....	<u>363,390.46</u>	12,862,138.05
Balance, 31 Dec., 1907.....	251,256.62	
9. Sundries	<u>12,610,881.43</u>	<u>12,862,138.05</u>

17. Miscellaneous City Revenue.

7. Sundries	3,120,056.87	
5. City Treasurer	<u>3,120,056.87</u>	

18. City Treasurer.

5. Balance, 31 Dec., 1907.....	2,593,207.85	
Sundries	<u>23,766,305.16</u>	26,359,513.01
14. Sundries	23,060,122.09	
Balance, 31 Dec., 1908.....	<u>3,299,390.92</u>	<u>26,359,513.01</u>

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TRIAL BALANCE.

Title of Fund.	31 December, 1907.		Intervening Transactions.		31 December, 1908.	
	Dr.	Cr.	Charges.	Credits.	Dr.	Cr.
1. Appropriation and Provision.....			\$10,981,753.30	\$10,981,753.30		
2. General Fund		3,176.88	2,083,891.96	2,087,030.07		6,314.99
3. Appropriation Funds, 1907, and Previous Years		1,129,602.62	498,188.40	32,496.10		663,830.32
4. Appropriation Funds, 1908.....			9,994,278.82	11,026,782.28		1,032,503.46
5. Receiver of Taxes, 1908.....			8,905,634.85	8,905,634.85		
6. Receiver of Assessments.....	2,439,527.01		774,186.43	696,338.69	2,517,384.75	
7. Receiver of Water Rates.....			978,287.80	978,287.80		
8. Collector of Arrears of Taxes.....	3,486,455.75		1,532,292.21	1,453,049.42	3,565,698.54	
9. Collector of Arrears of Water Rates.....	78,965.66		92,737.19	77,140.14	94,582.71	
10. Bond Funds.....		4,403,398.42	9,872,448.99	10,171,324.80		4,702,274.93
11. Assessment Funds		1,394,860.28	800,100.44	804,827.48		1,399,583.32
12. Trust Funds		1,094,424.53	87,380.92	81,374.85		63,358.46
13. Special Funds		1,066,247.59	1,850,254.55	1,863,838.93		1,069,832.97
14. "A" Warrants, 1907, and Previous Years.....		300,193.33	716,067.30	452,910.69		67,036.72
15. "A" Warrants, 1908			9,885,337.53	8,994,278.82		108,941.29
16. "B" Warrants	251,256.62		12,498,747.59	12,610,831.43		363,390.46
17. Miscellaneous City Revenue			3,120,056.87	3,120,056.87		
18. City Treasurer	2,593,207.95		23,766,305.16	23,060,122.09	3,299,390.92	
	\$8,598,156.27	8,598,156.27	98,437,985.61	98,437,985.61	9,477,086.92	9,477,086.92

(To be continued.)

Revision of the General Accounts and Classified Expenditure Accounts of the Isthmian Canal Commission.

EFFECTIVE JULY 1, 1909.

GENERAL ACCOUNT No. 1—CLASSIFIED EXPENDITURES.

This account will be charged for all expenditures located to any unit of the work and under the proper classified heading, and credited all collections made. This account will be divided into the following sub-accounts:

DEPARTMENT OF CIVIL ADMINISTRATION.

101. Administration.

To this account will be charged the salaries and allowances of the member of the Commission in charge of the Government of the Canal Zone, the salaries and wages of the Executive Secretary, their clerks and attendants, their traveling expenses, the cost of furniture and fixtures, stationery, printing and other office supplies, cost of lighting and care of offices, law books and other incidental expenses connected with the office.

102. Supreme and Circuit Courts.

To this account will be charged the salaries and allowances of the Chief Justice of the Supreme Court, Judges of the Circuit Courts, their assistants, clerks and attendants, bailiffs and other court officers, their traveling expenses, fees and salaries paid witnesses and jurors, the cost of court furniture and fixtures, law books, stationery, printing and supplies, cost of lighting and care of court rooms and other rooms and buildings occupied by court officials.

103. Prosecuting Attorney.

To this account will be charged the salaries and allowances of the prosecuting attorney, his assistants, clerks and attendants, their traveling expenses, cost of furniture and fixtures, stationery, printing and other office supplies, cost of lighting and care of offices, law books and other library expenses connected with the office.

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104. Division of Revenues.

To this account will be charged a proportion of the salary of the Collector of Revenues and Director of Posts, the salaries of Deputy Collectors of Revenue, their clerks, collectors and attendants, their traveling expenses, the cost of office furniture and fixtures and stationery and printing, cost of lighting and care of offices.

105. Division of Posts.

To this account will be charged a proportion of the salary of the Collector of Revenues and Director of Posts, his clerks and attendants, the salaries of postmasters and their clerks, railway postal clerks, and other employes and attendants of the postal service, and any other expense not payable from the funds of the Government of the Canal Zone. This account will be credited with balances turned over to the Commission by the Government of the Canal Zone.

106. Division of Customs.

To this account will be charged a proportion of the salaries of the Collector of Revenues and Director of Posts, his clerks and attendants, and the salaries of all persons engaged in the customs service, their traveling expenses, the cost of furniture, fixtures, office supplies, stationery and printing, the cost of lighting and care of offices.

107. Division of Lands and Buildings.

To this account will be charged a proportion of the salaries of the Collector of Revenues and Director of Posts, his clerks and attendants, their traveling expenses, of the cost of furniture, fixtures, office supplies, stationery and printing, and other incidental expenses, the salaries and expenses of collectors engaged in the collection of rents, but does not include the salaries of collectors engaged in the collection of rent of property belonging to municipalities, which are payable from Canal Zone funds.

108. Division of Estates.

To this account will be charged a proportion of the salaries and wages of the Collector of Revenues and Director of Posts, of his clerks and attendants, of their traveling expenses, cost of furniture and fixtures, office supplies and stationery and printing.

109. Police and Prisons.

To this account will be charged the pay and allowances of the Chief of Police, his lieutenants, sergeants, detectives, policemen, clerks and attendants, either at the headquarters or at stations in the Zone, of Wardens, guards and other employes in and about penal institutions, their traveling expenses, trans-

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portation and subsistence of prisoners awaiting trial and in penal institutions, all furniture, fixtures and supplies, including equipment, uniforms, sidearms, handcuffs, proportion of expenses of corrals, care of offices and buildings.

110. Fire Protection.

To this account will be charged the salaries and expenses of the Fire Chief and his personnel, allowances to volunteer firemen, the cost of fire apparatus, such as fire engines, horses, hook and ladder trucks, hose, hose carts, fire extinguishers, hand grenades, and all other equipment used as protection from fire.

111. Maintenance and Operation Water Works and Sewers—Panama.

To this account will be charged a proportion of salaries of the Superintendent of Public Works, of his clerks and attendants, of their traveling expenses, of his office furniture, fixtures and supplies, including stationery and printing, and of other incidental expenses and expenditures for labor and material used in the maintenance and operation of the water works and sewers within the limits of the city of Panama.

112. Maintenance and Operation Water Works and Sewers—Colon.

To this account will be charged a proportion of the salaries of the Superintendent of Public Works, his clerks and attendants, their traveling expenses, office furniture, fixtures and supplies, including stationery and printing, and of other incidental expenses, and all expenditures for labor and material used in the maintenance and operation of water works and sewers within the limits of the city of Colon.

113. Repairs and Maintenance of Pavements—Panama.

To this account will be charged a proportion of the salaries of the Superintendent of Public Works, of his clerks and attendants, of their traveling expenses, of his office furniture, fixtures and supplies, including stationery and printing, and other incidental expenses, and all expenditures for labor and material used in the maintenance and repair of the pavements within the limits of the city of Panama.

114. Repairs and Maintenance of Pavements—Colon.

To this account will be charged a proportion of the salaries of the Superintendent of Public Works, his clerks and attendants, their traveling expenses, office furniture, fixtures and supplies, including stationery and printing, and other incidental expenses, and all expenditures for labor and material used in the maintenance and repair of the pavements within the limits of the city of Colon.

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115. Miscellaneous Zone Public Works.

To this account will be charged all expenditures payable by the Commission for labor and material used in the operation of miscellaneous Zone public works, such as slaughter houses, markets, lights, etc. This account will not be charged with expenditures in connection with Zone water works and sewers, or Zone roadways.

116. Treasurer of the Canal Zone.

To this account will be charged the expenses of the office of the Treasurer of the Canal Zone, including the salaries and wages of the Treasurer, Assistant Treasurer, clerks and attendants, their traveling expenses, office supplies, furniture and fixtures, stationery and printing, and lights and care of offices.

117. Construction of Buildings.

To this account will be charged the salaries and wages and traveling expenses of mechanics, laborers and other employes engaged in, and the value of material and supplies used in the construction of buildings for the Department of Civil Administration.

118. Repairs to Buildings.

To this account will be charged the salaries and wages and traveling expenses of mechanics, laborers and other employes engaged in, and the value of material and supplies used in repairs of buildings for the Department of Civil Administration.

DEPARTMENT OF SANITATION.

201. Administration.

To this account will be charged the salaries and allowances of the member of the Commission in charge of the Department of Sanitation, and of his assistants, their clerks and attendants, and all employes whose salaries and wages are not directly chargeable to other accounts, their traveling expenses, office furniture, fixtures and supplies, including stationery and printing, lighting and care of offices, the expense of the hospital launch and of hospital cars and other incidental expenses connected with the office.

202. Hospitals and Asylums.

A. Medical Storehouse, Colon.

To this account will be charged the salaries and allowances of the storekeeper of the medical storehouse at Colon, his clerks and attendants, the material and supplies used in its operation, stationery, office furniture and fixtures.

B. Ancon Hospital.

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To this account will be charged the salaries and wages of the Superintendent, clerks, chaplains, physicians and pharmacists, all employes of the laboratory, nurses, maids, messengers and other employes in and about the hospital, their traveling expenses, expenses of carts owned or hired, ambulances, carriages and other vehicles necessary to the conduct of the hospital, cost of embalming fluid and of burying the dead and expenses of conducting the laundry, the cost of office furniture and fixtures, equipment, such as beds and bedding, mattresses, springs, cots, tables, chairs, surgical, laboratory and other scientific instruments, drugs and medicines, soap, fuel and disinfectants, medical books, the subsistence of employes and patients, the cost of lighting, care of Ancon cemetery, and of constructing roads and water and sewer systems, etc., within the hospital grounds, when such expenses are paid from appropriations for the Sanitary Department.

C. Colon Hospital.

To this account will be charged the salaries and wages of the Superintendent, clerks, chaplains, physicians, pharmacists, nurses, maids, messengers and other employes in and about the hospital, their traveling expenses, expenses of carts owned or hired, ambulances, carriages and other vehicles necessary to the conduct of the hospital, cost of embalming fluid and of burying the dead, cost of laundry work, the cost of office furniture and fixtures, equipment such as beds and bedding, mattresses, springs, cots, tables, chairs, surgical and other scientific instruments, drugs and medicines, soap, fuel and disinfectants, medical books, the subsistence of employes and patients and the cost of lighting, and of constructing roads, and water and sewer systems, etc., within the hospital grounds, when such expenses are paid from appropriations for the Sanitary Department.

D. Taboga Sanitarium.

To this account will be charged the salaries and wages of the Superintendent, clerks, physicians, nurses, messengers, attendants and other persons employed in and about the Sanitarium, the cost of subsistence, medical and other supplies, furniture and fixtures.

E. Santo Tomas Hospital.

To this account will be charged the salary of the Superintendent, physicians and nurses, and such other expenses as are payable from the funds of the Commission, as per agreement with the Republic of Panama.

F. Other Hospitals, Dispensaries and Sick Camps.

To this account will be charged the salary and wages of the Superintendent, clerks, chaplains, physicians, pharmacists, nurses, messengers and other employes in and about the hospitals, their traveling expenses, expenses of carts owned or hired, ambulances, carriages and other vehicles necessary to

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the conduct of the hospitals, cost of laundry work, the cost of office furniture and fixtures, equipment such as beds and bedding, mattresses, springs, cots, tables, chairs, surgical and other scientific instruments, drugs and medicines, soap, fuel and disinfectants, and the cost of lighting.

203. Quarantine.

To this account will be charged the salaries and allowances of the Chief Quarantine Officer and his assistants, clerks and attendants, of the officers in charge of Quarantine stations (including Bocas del Toro), their assistants, clerks and attendants, including the personnel of the quarantine stations, their traveling expenses, the salaries and allowances of the crews of launches and other craft in the quarantine service, the cost of office furniture and fixtures, office supplies, stationery and printing, instruments, drugs, medicines, etc., and the cost of lighting and care of offices and buildings, and of animal transportation used in this service.

204. Sanitation—Panama and Colon.

A. Sanitation Proper, Panama.

To this account will be charged the salaries and expenses of the Health Officer at Panama, his assistants, clerks and attendants, and his office expenses, the salaries and expenses of officers and employes engaged in the work of preventing and eradicating contagious diseases, of disinfecting and fumigating, and all work pertaining to mosquito extermination, and the cost of material and supplies used in such work.

B. Disposal of Garbage, Street Cleaning, Etc., Panama.

This account will be charged with the amount paid by the Department of Sanitation to the Republic of Panama for street cleaning and garbage removal in the city of Panama.

C. Sanitation Proper, Colon.

To this account will be charged a proportion of the salaries and expenses of the Health Officer at Colon, his assistants, clerks and attendants, and of his office expenses, the salaries and expenses of officers and employes engaged in the work of preventing and eradicating contagious diseases, of disinfecting and fumigating, and all work pertaining to mosquito extermination, the care of Mount Hope Cemetery, and the cost of material and supplies used in such work.

D. Disposal of Garbage, Street Cleaning, Etc., Colon.

To this account will be charged a proportion of the salaries and expenses of the Health Officer at Colon, his assistants, clerks and attendants, and of the office expenses, the salaries and wages of foremen and laborers engaged in street cleaning and removing garbage and other refuse, the cost of animal transportation, cart hire and material and supplies.

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205. Zone Sanitation.

A. Sanitation Proper.

To this account will be charged a proportion of the salary of the Chief Sanitary Inspector, his assistants, inspectors, clerks and attendants, and of his office expenses, the salaries and expenses of officers and employes engaged in the work of preventing and eradicating contagious diseases, of disinfecting and fumigating, and all work pertaining to mosquito extermination, burial of the dead and care of cemeteries, excepting the cemeteries at Ancon Hospital and Mount Hope, and the cost of material and supplies used in such work.

B. Disposal of Garbage, Street Cleaning, Etc.

To this account will be charged a proportion of the salaries and expenses of the Chief Sanitary Inspector, his assistants, inspectors, clerks and attendants, and of his office expenses, the salaries and wages of foremen and laborers engaged in street cleaning and removing garbage and other refuse outside of the cities of Panama and Colon, the cost of animal transportation, cart hire and of material and supplies.

206. Construction of Buildings.

To this account will be charged the salaries and wages and traveling expenses of mechanics, laborers and other employes engaged in, and the value of material and supplies used in the construction of buildings for the Department of Sanitation.

207. Repairs of Buildings.

To this account will be charged the salaries and wages and traveling expenses of mechanics, laborers and other employes engaged in, and the value of material and supplies used in repairs of buildings for the Department of Sanitation.

DEPARTMENT OF CONSTRUCTION AND ENGINEERING.

301. General Administrative Expenses.

To this account will be charged a proper proportion of the salaries and expenses of the office of the Chairman and Chief Engineer, and all other officers and employes engaged in general supervision of Canal construction. The expenses of the first, second and third divisions of the office of the Chairman and Chief Engineer will be charged to this account, except such part as may be properly chargeable directly to one of the following accounts under the Department of Construction and Engineering. A proper proportion of the expenses of the fourth division of the office of the Chairman and Chief Engineer will be charged to Account No. 370, Miscellaneous General Expenses. A report will be made monthly showing the total expenditures of the office of the Chairman and Chief Engineer and the accounts properly chargeable therewith.

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ATLANTIC DIVISION.

310. Dry Excavation. (Prism).

A. Construction Work.

To this account will be charged a proper proportion of the salaries and expenses of the supervising force of the division, and the salaries and expenses of all officers and employes while engaged directly in the work of excavating dry material, and the transportation and disposition of it; also all material and supplies used and expenses incurred, and the repair of equipment used in the work.

B. Plant.

This account will be opened with a charge of the value of plant heretofore purchased for or used by this division in the work of dry excavation, and of plant hereafter purchased or used therein; also to be charged with plant transferred from other divisions, and credited with plant transferred from this division.

311. Dredging Excavation. (Prism).

A. Construction Work.

To this account will be charged a proper proportion of the salaries and expenses of the supervising force of the division and the salaries and expenses of all officers and employes while engaged directly in the work of excavating material by dredging, and the transportation and disposition of it; also all material and supplies used and expenses incurred, and the repair of equipment used in the work.

B. Plant.

This account will be opened with a charge of the value of plant heretofore purchased for or used by this division in the work of dredging excavation and of plant hereafter purchased or used therein; also to be charged with plant transferred from other divisions and credited with plant transferred from this division.

312. Gatun Dam and Spillway.

A. Construction Work.

To this account will be charged a proper proportion of the salaries and expenses of the supervising force of the division, and the salaries and expenses of all officers and employes while engaged directly in the work of constructing the Gatun Dam and Spillway; also all material and supplies used and expenses incurred, and the repair of equipment used in the work.

B. Plant.

This account will be opened with a charge of the value of plant heretofore purchased or used by this division in the work of constructing the Gatun Dam and Spillway, and of plant hereafter purchased or used therein; also to be charged with plant transferred from other divisions and credited with plant transferred from this division.

313. Gatun Locks.

A. Construction Work.

To this account will be charged a proper proportion of the salaries and expenses of the supervising force of the division, and the salaries and expenses of all officers and employes while engaged directly in the work of constructing the Gatun Locks, and also all material and supplies used and expenses incurred, and the repair of equipment used in the work.

B. Plant.

This account will be opened with a charge of the value of plant heretofore purchased for or used by this division in the work of constructing the Gatun Locks, including labor and material used in construction of temporary power plant and of plant hereafter purchased or used therein; also to be charged with plant transferred from other divisions and credited with plant transferred from this division.

314. Gatun Power Plant (Permanent).

A. Construction Work.

To this account will be charged a proper proportion of the salaries and expenses of the supervisory force of the division, and the salaries and expenses of all officers and employes while engaged directly on the construction of the permanent power plant, including all material, machinery, equipment and supplies used and entering into its construction, and expenses incurred thereby, including the value of any machinery, etc., transferred from the temporary power plant or any other portion of the work.

B. Plant.

This account will be opened with a charge of the value of plant heretofore purchased for, or used by this division and necessary for the erection and construction of the power plant, and of any such plant hereafter purchased or used therein. It is not intended to include any items of machinery or plant required for its operation after completion. This item will be charged with any plant transferred from other divisions or other portions of the work. It will be credited with plant transferred from this work.

315. Rock and Sand Account.

A. Porto Bello Rock—Plant.

This account will be opened with a charge of the value of plant heretofore purchased or used by this division in the operation of the crusher plant and in obtaining stone to be crushed; also to be charged with plant transferred from other divisions and credited with plant transferred from this division.

B. Nombre de Dios Sand—Plant.

This account will be opened with a charge of the value of plant heretofore purchased or used in obtaining sand, including

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sand lands purchased, and with plant transferred from other divisions and credited with plant transferred from this division.

C. Transportation—Plant.

This account will be opened with a charge of the value of all plant, including vessels, barges, etc., used in transportation heretofore purchased or used by this division in the transportation of rock and sand from Porto Bello and Nombre de Dios; also to be charged with all plant transferred from other divisions and credited with plant transferred from this division.

316. Colon Breakwater.

A. Construction Work.

To this account will be charged a proper proportion of the salaries and expenses of the supervising force of the division and the salaries and expenses of all officers and employes while engaged directly in the work of constructing the breakwater; also all material and supplies used and expenses incurred, the repair of equipment used in the work, and the cost of transportation of material.

B. Plant.

This account will be opened with a charge of the value of plant heretofore purchased or used in the construction of Colon Breakwater, and of plant hereafter purchased or used herein; also to be charged with plant transferred from other divisions and credited with plant transferred from this division.

CENTRAL DIVISION.

325. Dry Excavation.

A. Construction Work.

To this account will be charged a proper proportion of the salaries and expenses of the supervising force of the division, and the salaries and expenses of all officers and employes while engaged directly in the work of excavating dry material and the transportation and disposition of it; also all material and supplies used and expenses incurred, and the repair of equipment used in the work.

B. Plant.

This account will be opened with a charge of the value of plant heretofore purchased for, or used by this division in the work of dry excavation and of plant hereafter purchased or used therein; also to be charged with plant transferred from other divisions and credited with plant transferred from this division.

326. Dredging Excavation.

A. Construction Work.

To this account will be charged a proper proportion of the salaries and expenses of the supervising force of the division, and the salaries and expenses of all officers and employes while engaged directly in the work of dredging excavation and the

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transportation and disposition of it; also all material and supplies used and expenses incurred, and the repair of equipment used in the work.

B. Plant.

This account will be opened with a charge of the value of plant heretofore purchased for, or used by this division in the work of dredging excavation and of plant hereafter purchased or used therein; also to be charged with plant transferred from other divisions and credited with plant transferred from this division.

PACIFIC DIVISION.

335. *Dry Excavation. (Prism).*

A. Construction.

To this account will be charged a proper proportion of the salaries and expenses of the supervising force of the division, and the salaries and expenses of all officers and employes while engaged directly in the work of excavating dry material, and the transportation and disposition of it; also all material and supplies used and expenses incurred and the repair of equipment used in the work.

B. Plant.

This account will be opened with a charge of the value of plant heretofore purchased for, or used by this division in the work of dry excavation and of plant hereafter purchased or used therein; also to be charged with plant transferred from other divisions and credited with plant transferred from this division.

336. *Dredging Excavation. (Prism.)*

A. Construction work.

To this account will be charged a proper proportion of the salaries and expenses of the supervising force of the division and the salaries and expenses of all officers and employes while engaged directly in the work of dredging excavation, and the transportation and disposition of it; also all material and supplies used and expenses incurred and the repair of equipment used in the work.

B. Plant.

This account will be opened with a charge of the value of plant heretofore purchased for, or used by this division in the work of dredging excavation and of plant hereinafter purchased for or used therein; also to be charged with plant transferred from other divisions and credited with plant transferred from this division.

337. *Pedro Miguel Locks and Dams.*

A. Construction.

To this account will be charged a proper proportion of the salaries and expenses of the supervising force of the division, and the salaries and expenses of all officers and employes while

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engaged directly in the work of constructing Pedro Miguel Locks and Dams; and also all material and supplies used and expenses incurred, and the repair of equipment used in the work.

B. Plant.

This account will be opened with a charge of the value of plant heretofore purchased for, or used by this division in the work of constructing the Pedro Miguel Locks and Dams and of plant hereafter purchased or used therein; also to be charged with plant transferred from other divisions and credited with plant transferred from this division.

338. *Miraflores Locks and Dams.*

A. Construction.

To this account will be charged a proper proportion of the salaries and expenses of the supervising force of the division and the salaries and expenses of all officers and employes while engaged directly in the work of constructing Miraflores Locks and Dams, and also all material and supplies used and expenses incurred and the repair of equipment used in the work.

B. Plant.

This account will be opened with a charge of the value of plant heretofore purchased for, or used by this division in the work of constructing the Miraflores Locks and Dams and of plant hereafter purchased or used therein; also to be charged with plant transferred from other divisions and credited with plant transferred from this division.

339. *Rock and Sand Account—Plant.*

This account will be opened with a charge to the several subheadings of the value of plant heretofore purchased by this division in the operation of rock and sand plants of this division or used therein; also to be charged with plant transferred from other divisions and credited with plant transferred from this division.

The following subdivisions will be made:

A. Ancon Rock—Plant.

B. Ancon Rock—Transportation Plant.

C. Chame Sand—Plant.

D. Chame Sand—Transportation Plant.

340. *Miraflores Power Plant.*

A. Construction Work.

To this account will be charged a proper proportion of the salaries and expenses of the supervisory force of the division, and the salaries and expenses of all officers and employes while engaged directly in the construction of the power plant, including all material, machinery, equipment and supplies used and entering into its construction, and expenses incurred thereby, including the value of any machinery, etc., transferred from any other portion of the work.

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B. Plant.

This account will be opened with a charge of the value of plant heretofore purchased for, or used by this division and necessary for the erection and construction of the power plant, and of any such plant hereafter purchased or used therein. It is not intended to include any items of machinery or plant required for its operation after completion. This item will be charged with any plant transferred from other divisions or other portions of the work. It will be credited with plant transferred from this work.

GENERAL EXPENSES.

NOTE.—The following accounts include expenses properly chargeable to all departments of the Isthmian Canal Commission, and will be prorated monthly to the Department of Civil Administration, the Department of Sanitation and the three divisions of the Department of Construction and Engineering.

370. Miscellaneous General Expenses.

A. On the Isthmus.

To this account will be charged the proper proportion of the salaries and expenses of the office of the Chairman and Chief Engineer, the expenses of any special committees of engineers, or special commission and committees of Congress, legal services, a proper proportion of the salary of the Secretary of the Commission, and all other incidentals and miscellaneous expenses on the Isthmus paid by the Commission and which are not directly chargeable to any department or division. A report will be made monthly showing the total expenditures of the office of the Chairman and Chief Engineer and the accounts properly chargeable therewith.

B. CANAL RECORD.

To this account will be charged a proper proportion of the salary of the Secretary of the Commission and all salaries, wages and expenses in connection with the publication of THE CANAL RECORD. It will be credited with the receipts from the sale of THE CANAL RECORD.

C. Y. M. C. A. Clubhouses.

To this account will be charged the salaries and expenses of officers and employes connected with clubhouses, also the expenses of furniture, fixtures and supplies, and all other expenses paid by the Commission, except the cost of constructing and furnishing new buildings.

D. I. C. C. Band.

To this account will be charged all salaries and expenses of the band, including the purchase of instruments, music, etc.

E. In the United States.

To this account will be charged all miscellaneous general

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expenses of the Commission in the United States, including salaries, printing, traveling expenses, and other expenses of the office of Administration, telegraphs, telephones and cables, legal services, rent of office building, light, fuel, power, and custodian force, etc.

371. Disbursing Officers.

A. In Washington.

B. On the Isthmus.

To this account will be charged all expenses of the disbursing offices.

372. Examiner of Accounts.

A. In Washington.

B. On the Isthmus.

To this account will be charged all expenses of the offices of the Examiner of Accounts and Assistants.

373. Transportation on the Isthmus.

To this account will be charged the monthly payment for transportation of employes over the rail lines of the Panama Railroad Company, and of animal transportation to and from trains.

374. Telegraph and Telephones.

To this account will be charged all expenses in connection with telegraphing, telephoning and cabling.

375. Purchasing Expenses in the United States.

To this account will be charged all expenses in connection with purchasing, inspecting, and testing supplies obtained from the United States.

376. Compensation to Injured Employees.

To this account will be charged payments made as compensation to injured employes, under the Act of May 30, 1908. Payments made on account of "Meritorious Sick Leave" will not be charged to this account, being carried on the regular pay rolls of the several divisions. The charges to this account will be made by the Examiner of Accounts, from the vouchers and pay rolls prepared by the Claim Officer.

SUBSISTENCE DEPARTMENT.

377. Hotels, Messes and Kitchens—Operations.

To this account will be charged a proportion of the expenses of the supervisory force of this Department, the cost of operating the hotels (except Tivoli Hotel), messes and kitchens, the cost of supplies used in their operation, and other expenses incidental thereto.

This account will be credited with collections of every nature, from employes and other departments, for subsistence furnished.

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378. *Hotel Equipment.*

To this account will be charged the cost of equipment used in the operation of hotels (except Tivoli Hotel), such as furniture and fixtures, crockery, glassware, kitchen utensils, and the cost of repairs and renewals thereof when payable from Congressional appropriations, and not from revenues derived from operations.

379. *Hotels—Incidental Expenses.*

To this account will be charged the cost of fuel, light and power furnished hotels (except Tivoli Hotel), and such other expenses as are to be paid from Congressional appropriations and not from revenues derived from operations.

380. *Tivoli Hotel.*

To this account will be charged a proportion of the expenses of the supervisory forces of this Department, the cost of operating the Tivoli Hotel, including care of grounds, charges for equipment and repairs thereof, renewals, cost of fuel, light, power, etc. The cost of construction of the hotel and alterations and repairs to the building are carried under Accounts No. 408 and No. 409 respectively.

This account will be credited with collections or revenues of every nature for service or subsistence rendered by Tivoli Hotel.

QUARTERMASTER'S DEPARTMENT.

385. *Operation of Stores.*

To this account will be charged a proportion of the expenses of the supervisory forces, the cost of all salaries and wages and materials used in the operation of storehouses of the Quartermaster's Department and incidental expenses.

386. *Freight, Advertising and Miscellaneous Items.*

To this account will be charged the cost on the Isthmus of advertising in newspapers, freight, handling and miscellaneous items of expense in connection with the cost of purchasing, handling and transportation of material and supplies.

387. *Recruiting.*

To this account will be charged a proportion of the expenses of the supervisory forces, the transportation of employes from the United States and other countries to the Isthmus, the salaries, wages and expenses of labor agents, the cost of subsistence furnished recruits, and all expenses incidental to the securing of labor, as well as the cost of deportations. This account will be credited with collections for transportation.

388. *Quarters.*

To this account will be charged a proportion of expenses

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of the supervisory forces, the cost of furniture heretofore and hereafter used in quarters for employes, and the expense of repairing same, cost of supplies such as oil, electric light, fixtures therefor, and the salaries and wages of employes engaged in caring for and cleaning quarters.

389. Corrals.

A. Equipment.

To this account will be charged the cost of all animals, carriages, wagons, etc., for use in animal transportation on the Isthmus, and it will be credited with the proceeds of sale of property of this description.

B. Operation.

This account will be charged a proportion of the expenses of the supervisory forces, with all labor and material entering into the operation of all corrals, except for new equipment and will receive credit for services rendered other departments and individuals, for which bills are to be rendered in accordance with flat charges made for the keeping of animals.

GENERAL ITEMS.

NOTE.—Expenditures under the following accounts are not yet being charged to any particular item of Canal construction:

401. Lands Purchased.

A. For Construction Work or to be flooded.

To this account will be charged all payments for lands acquired by the Commission for construction purposes or which are to be flooded, including all expenses in connection with their purchase or expropriation.

B. For other purposes.

To this account will be charged all payments for lands acquired for purposes other than actual Canal construction or to be flooded, including all expenses in connection with their purchase or expropriation.

402. Cristobal Terminals.

A. Docks and Wharves.

To this account will be charged all expenditures for labor and material used in the construction and repair of docks and wharves for permanent service, including the tracks laid thereon, together with all machinery, tools, supplies, etc., that may be used in construction and renewals of same.

B. Dredging.

To this account will be charged a proper proportion of the salaries and expenses of the supervising force of the division, and the salaries and expenses of all officers and employes engaged in the dredging for approaches and docking purposes, all material and supplies used and expenses incurred and the repair of equipment used in the work.

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403. Balboa Terminals.

A. Docks and Wharves.

To this account will be charged all expenditures for labor and material used in the construction and repair of docks and wharves for permanent service, including the tracks laid thereon, together with all machinery, tools, supplies, etc., that may be used in construction, and renewals of same.

B. Dredging.

To this account will be charged a proper proportion of the salaries and expenses of the supervising force of the division, and the salaries and expenses of all officers and employees engaged in the dredging for approaches and docking purposes; all material and supplies used and expenses incurred, and the repair of equipment used in the work.

NOTE.—Docks 11 and 14 at Cristobal and the Balboa dock are leased to the Panama Railroad Company, the Commission assuming the repairs of the *substructure only*. Any additions or improvements made to these docks should be charged to the account to which they relate and statement rendered the Examiner of Accounts showing cost of the work, as by the terms of the lease an additional rental it to be collected to cover such expenditures.

404. Panama Railroad Second Main Track.

To this account will be charged the cost of building the second main track of the Panama railroad.

405. Relocation of Panama Railroad.

A. Construction Work.

To this account will be charged the expenses incurred in relocating the Panama railroad.

B. Maintenance.

To this account will be charged all expenses in connection with the maintenance of the relocated line under the agreement between the Commission and the Panama Railroad Company, to maintain the road for a certain period after the construction is completed.

406. Panama Railroad Marine and Fire Losses.

To this account will be charged all payments made to the Panama Railroad Company, on account of marine and fire losses sustained, so far as such losses may be paid from Commission funds, under authority of Act of Congress.

407. Purchase, Improvement and Repair of Steamers.

A. Panama.

B. Colon.

C. Cristobal.

D. Ancon.

To this account will be charged the purchase price of

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vessel, and all expenses of repairs and improvements, and credit will be given for revenues derived from such vessels as may be chartered.

408. Construction of Buildings, Department of Construction and Engineering.

To this account will be charged the expense incurred in the construction of buildings for the Department of Construction and Engineering, Examination of Accounts, Disbursements, Quartermaster's and Subsistence. It does not include "Division Structures," the expense of which should be charged directly against the construction work benefited. This account will include buildings furnished for the use of the Panama Railroad Commissaries, and the buildings used by the Y. M. C. A. and the Tivoli Hotel. It will also include the construction of buildings used for quarters for employees.

409. Alteration and Repair of Buildings, Department of Construction and Engineering.

To this account will be charged all expenses of alteration and repair of buildings for the Department of Construction and Engineering, Examination of Accounts, Disbursements, Quartermaster's and Subsistence. It does not include repairs to "Division Structures," the expense of which should be charged directly to the Division or Department benefited. The account will include cost of repairs made to buildings furnished for the use of the Panama Railroad Commissaries, and buildings used by the Y. M. C. A. and the Tivoli Hotel. It will also include the repairs of buildings used for quarters for employees.

410. Purchase from New Panama Canal Company.

To this account will be charged the amount paid the New Panama Canal Company for property and rights acquired, and credited when an authorized distribution is made to other accounts.

411. Payment to Republic of Panama.

To this account will be charged the amount paid the Republic of Panama for rights acquired.

412. Loans to Panama Railroad Company.

To this account will be charged loans made the Panama Railroad Company, and credited with repayments of same.

413. Purchase of Panama Railroad Stock.

To this account will be charged payments made for purchase of Panama railroad stock, and credited amounts received from sale of same.

414. Machine Shops and Other Manufacturing Plants.

This account will be opened with a charge of the value of plant heretofore purchased for or used in the general manu-

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facturing plants, including machine shops, electric light plants, planing mill, concrete block plant, etc. All expenditures for buildings and other improvements in connection with these plants should be included. This account is not to be increased. All payments for new plant and repairs will hereafter be charged to operations.

Separate accounts will be kept as follows:

- A. Empire Machine Shops.
- B. Gorgona Machine Shops.
- C. Electric Light Plants.
- D. Lirio Planing Mill.
- E. Concrete Block Plant.
- F. Printing Plant.
- G. Cristobal Dry Dock Shops.
- H. Balboa Ship Ways.
- J. Bas Obispo and other Rock Crushers.
- K. Rio Grande Crusher.
- L. Air Compressor Plants.

415. Construction Water Works and Sewers, Panama.

To this account will be charged the salaries, wages and allowances of officers, clerks, laborers, and their traveling expenses, the cost of all material, including water pipes, sewer pipes, cement, all plumbing materials, lumber, etc., cost of transportation of men and animals and material, the tools and supplies used and all other incidental expenses connected with the construction of water works and sewers within the limits of the city of Panama.

416. Construction Water Works and Sewers, Colon.

To this account will be charged the salaries, wages and allowances of officers, clerks and laborers, and their traveling expenses, the cost of all material, including water pipes, sewer pipe, cement, all plumbing material, lumber, etc., the cost of transportation of men and materials, the tools and supplies used, and all other incidental expenses connected with the construction of water works and sewers within the limits of the city of Colon.

417. Zone Water Works and Sewers.

A. Construction.

To this account will be charged all expenditures for labor and material used in the construction of water works and sewers in the Zone, including reservoirs, main pipe lines and connections to Commission buildings, but does not include the construction of water works and sewers in the cities of Panama and Colon, which is chargeable to Accounts Nos. 415 and 416, respectively, or in native villages and houses in the Zone, which expense is payable from Canal Zone funds, and should be charged to General Account No. 8—Individuals and Companies.

B. Repairs and Maintenance.

To this account will be charged all expenditures for labor and material used in the repair and maintenance of water works and sewers in the Zone, including reservoirs, main pipe lines and connections to Commission buildings, but does not include repairs and maintenance of water works and sewers within the cities of Panama and Colon, which are chargeable to Accounts Nos. 111 and 112, respectively, or in native villages or houses on the Zone, expenses for which are payable from Canal Zone Funds, and should be charged to General Account No. 8—Individuals and Companies.

418. *Paving, Panama.*

To this account will be charged all expenditures for labor and material used in paving the streets of Panama such as paving, filling, and grading, and includes the wages of engineers directly in charge of the work, the cost of transportation of men and materials and incidental expenses. This account does not include repairs and maintenance of paved streets, which are chargeable to Account No. 113.

419. *Paving, Colon.*

To this account will be charged all expenditures for labor and material used in paving the streets of Colon, such as paving, filling, and grading, and includes the wages of engineers directly in charge of the work, the cost of transportation of men and materials and incidental expenses. This account does not include repairs and maintenance of paved streets, which are chargeable to Account No. 114.

420. *Zone Roadways.*

A. Construction.

To this account will be charged all expenditures for labor and material used in the construction of roads outside of the cities of Panama and Colon, including the cost of right-of-way, the transportation of men and material, the cost of tools, plant, and machinery used in the work and incidental expenses. This account will not be charged with the cost of constructing trails or roads which are to be paid from Canal Zone funds. When Commission labor or material is used in such work the amounts will be charged to General Account No. 8—Individuals and Companies.

B. Repairs and Maintenance.

To this account will be charged all expenditures for labor and material used in the repair and maintenance of roads outside of the cities of Panama and Colon, including the use of barrow pits, transportation of men and material, the cost of tools and machinery used in the work and incidental expenses. This account will not be charged with the cost of repairs or maintenance of roads or trails, which is to be paid from Canal

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Zone funds. When Commission labor or material is used in such work the amounts will be charged to General Account No. 8—Individuals and Companies.

C. Miscellaneous, Grading and Other Municipal Work.

To this account will be charged all expenditures for labor and material used in miscellaneous improvements, grading and other municipal work, including the cost of recreation grounds and other miscellaneous municipal charges authorized by the Chairman and Chief Engineer and not otherwise provided for.

481. Moving and Care of French Material and Equipment.

To this account will be charged all expenditures for labor and material used in caring for French material and equipment, except such as may be necessary to prepare it for use or care for it after it is ready for issue. It includes wrecking and moving excavators, dredges, locomotives, etc., from the Canal site, merely to get them out of the way, or concentrate the material at central points, also the care of marine and other equipment to keep it afloat and watch it, and other incidental expenses of like character. This account will not be charged for any expenses incurred on account of the recovery, preparation or shipment of French scrap intended for sale. The transactions involved will be handled in General Account No. 6—b. Value of French Material Recovered.

GENERAL ACCOUNT NO. 2—MANUFACTURING ACCOUNT.

This account is intended to care for the operations of the manufacturing plants on the Isthmus, and will be charged under the proper manufacturing unit with the value of all new equipment, replacements, additions and repairs, all material and supplies drawn from the Quartermaster's storehouses and intended for manufacturing purposes, the salaries and wages of all employes, and all other expenses of maintenance and operation which have entered into the cost of the finished product.

The account will be credited with the value of the manufactured product, by a monthly statement of charges to material and supplies, other divisions of the work, or individuals and companies, and will include the value of all material and labor used, with such added surcharge, to include superintendence and all other expenses as may be found sufficient. The balance remaining in the account to represent the value of manufacturing orders uncompleted.

The following subdivisions of the account will be maintained:

1. Empire Machine Shops.
2. Gorgona Machine Shops.
3. Electric Light Plants.
4. Air Compressor Plants.

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5. Foundry Operations.
6. Lirio Planing Mill.
7. Concrete Block Plant.
8. Printing Office.
9. Gardens and Truck Farms.
10. Porto Bello Rock Plant.
11. Nombre de Dios Sand Plant.
12. Porto Bello and Nombre de Dios, Transportation.
13. Cristobal Dry Dock Shops.
14. Bas Obispo and other Rock Crushers.
15. Rio Grande Rock Crusher.
16. Balboa Shipways Shops.
17. Ancon Rock Crusher.
18. Chame Sand Plant.

GENERAL ACCOUNT NO. 3—MATERIAL AND SUPPLIES IN TRANSIT.

To this account will be charged disbursements for Material and Supplies purchased in the United States and delivered into the custody of the Quartermaster's Department. The account will be credited for the acknowledged receipt of the Material and Supplies by the Chief Quartermaster.

GENERAL ACCOUNT NO. 4—MATERIAL AND SUPPLIES.

To this account will be charged the value of Material and Supplies received and acknowledged by the Quartermaster's Department. The account will be credited for all issues of Material and Supplies or distributions to the work as reported on Form 132 C. E.

GENERAL ACCOUNT NO. 5—MATERIAL AND SUPPLIES. SUBSISTENCE DEPARTMENT.

To this account will be charged the value of Material and Supplies purchased or drawn from Quartermaster's stock by the Subsistence Department. The account will be credited for the value of Material and Supplies used as shown by the monthly reports.

GENERAL ACCOUNT NO. 6—VALUE OF FRENCH MATERIAL RECOVERED.

A. To this account will be credited the appraised value of all material and equipment received from the New Panama Canal Company when recovered for use in canal construction.

B. To this account will be charged all expenses incurred on account of Material received from the New Panama Canal Company when intended for sale as scrap. The account will be credited with the proceeds derived from such sale.

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GENERAL ACCOUNT NO. 7—SUNDRY ACCOUNTS.

This account is provided to care for collections from employees for the Panama Railroad Company, contractors, etc., and items of expenditures, distribution of which is undetermined.

GENERAL ACCOUNT NO. 8—INDIVIDUALS AND COMPANIES.

A. To this account will be charged labor and material furnished and services rendered individuals and companies, collections for which are, under the law, returnable to the appropriations.

B. To this account will be charged collections from individuals and companies which under the law must be deposited in the U. S. Treasury as "Miscellaneous Receipts."

GENERAL ACCOUNT NO. 9—WATER RENTALS. PANAMA AND COLON.

This account will be credited for collections made for water and sewer rentals in the cities of Panama and Colon under agreement made with the Republic of Panama.

GENERAL ACCOUNT NO. 10—BILLS COLLECTIBLE.

This account will be charged with the total of all bills rendered against Individuals and Companies and credited with all collections made on account of same.

GENERAL ACCOUNT NO. 11—PAY ROLLS.

To this account will be charged all payments by Disbursing Officers on Pay Rolls and all items remaining unpaid at time of closing their accounts (and which will be credited to account No. 12 "Unpaid Salaries and Wages.") The account will be credited with pay rolls approved for payment.

GENERAL ACCOUNT NO. 12—UNPAID SALARIES AND WAGES.

To this account will be charged all payments of salaries and wages which have been carried to this account as provided in General Account No. 11, "Pay Rolls." The account will be credited salaries and wages remaining unpaid on pay rolls at time of closing Disbursing Officer's accounts.

GENERAL ACCOUNT NO. 13—COLLECTING OFFICERS.

To this account will be charged all money collected by Collecting Officers and credited remittances made by them to Disbursing Officers. A separate account will be kept with each officer.

The Government Accountant.

GENERAL ACCOUNT NO. 14—DISBURSING OFFICER.

To this account will be charged all receipts of whatever nature coming into the hands of Disbursing Officers. The account will be credited with all disbursements made on approved vouchers. A separate account will be kept with each officer.

GENERAL ACCOUNT NO. 15—MISCELLANEOUS RECEIPTS UNITED STATES FUNDS.

This account will be credited with all receipts which under the law must be deposited in the United States Treasury as Miscellaneous Receipts.

GENERAL ACCOUNT No. 16—RECEIPTS DEPOSITED IN UNITED STATES TREASURY.

To this account will be charged all funds deposited in the United States Treasury as Miscellaneous Receipts.

GENERAL ACCOUNT NO. 17—REPAYMENTS DEPOSITED IN UNITED STATES TREASURY.

To this account will be charged all repayments to appropriations deposited in United States Treasury.

GENERAL ACCOUNT NO. 18—APPROPRIATIONS BY CONGRESS.

To this account will be charged all funds withdrawn from appropriations. The account will be credited with all funds appropriated by the Congress, with repayments and with transfers on settlements made by the Treasury Department.

GENERAL ACCOUNT NO. 19—TREASURER OF THE UNITED STATES.

To this account will be charged all funds appropriated by the Congress, with repayments and with transfers on settlements made by the Treasury Department. The account will be credited with all funds withdrawn from appropriations.

GENERAL ACCOUNT NO. 20—UNITED STATES WARRANTS.

To this account will be credited all warrants drawn on the Treasurer of the United States.

All disbursements of the Isthmian Canal Commission prior to July 1, 1909, will be restated in accordance with this classification.

W. W. WARWICK,
Examiner of Accounts.

Approved:
GEO. W. GORTHALES,
Chairman and Chief Engineer.

The Government Accountant

P. O. Box 27, Main Office.
WASHINGTON, D. C.

J. P. MULLER,
Editor.

B. F. HARRAH,
Associate Editor.

R. M. CHAPMAN,
Associate Editor.

N. E. WEBSTER, JR.,
Associate Editor.

NOVEMBER 25, 1909.

Our Aims and Our Prospects.

It may please our readers to know that THE GOVERNMENT ACCOUNTANT is making progress by leaps and bounds and we venture to hope that the feeling of satisfaction enjoyed by the editorial staff will be shared by our subscribers in and out of the Service.

While this publication is primarily the vehicle for conveying information from one set of Government Accountants to another, in the expectation that a wider knowledge of general conditions by individuals whose scope and field of action is limited, will tend to produce greater harmony in methods and result in improved conditions generally since any Government Accountant or Statistician, who is sufficiently wide-awake to have identified himself with the "Association of American Government Accountants" or its allied societies, may be expected to be progressive enough to draw his own lessons from the experience of others in similar spheres and endeavor to profit by them.

The Association's committee on lectures and meetings has this year been particularly fortunate in arranging for addresses by prominent speakers on subjects of the widest possible range of accounting matters. A number of very able special articles by experts in various branches of accounting have also been promised to the editor, and upon completion of the excellent thesis entitled "The Accounts of a City," which is expected to run until April, 1910, issue, a similar serial on "Transportation Accounting" will be begun, to which some of the leading specialists in this line have promised to contribute.

Our list of member-subscribers is in a healthier condition today than at any time since the appearance of our first issue; our non-member subscription list has increased three-fold during the past six months and covers not only the United States fairly well and the Latin-American countries to the south of us, but embraces regular readers in such far-distant localities as Hawaii, Guam, the Philippines, Japan, Manchuria, China, Australia and East India.

To those who have helped, in whatever manner, to produce this result, we are duly grateful and offer the assurance that we shall strive to the utmost of our limited ability to improve this magazine in every way to merit their continued appreciation and co-operation.

Association of American Government Accountants

Organized November 14, 1906.

Post Office Box 27, Main Office, Washington, D. C.

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The personnel of these committees will be published in subsequent issues as soon as the names are announced by the respective chairmen.

Association of American Government Accountants

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PUBLIC MEETINGS.

The Association of American Government Accountants is scheduled to meet at the hall of the Public Library, 8th and K Streets, N. W., Washington, D. C., on the first and third Monday in December, 1909, January, February, March and April, 1910.

DECEMBER 6, 1909.

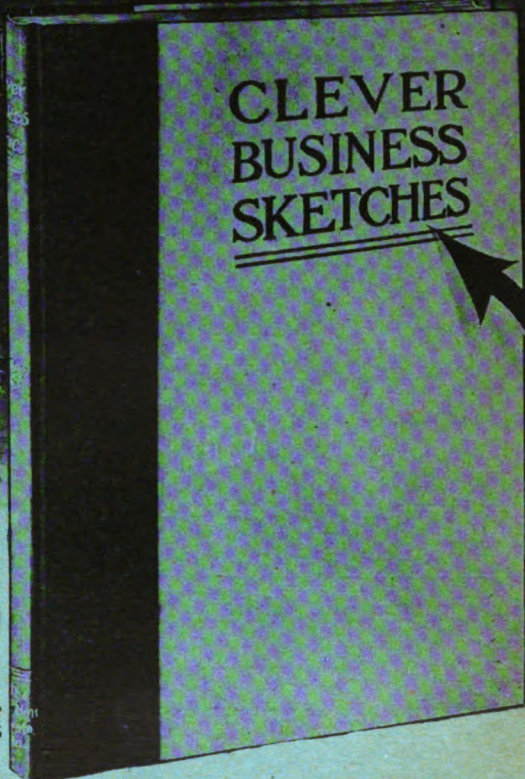
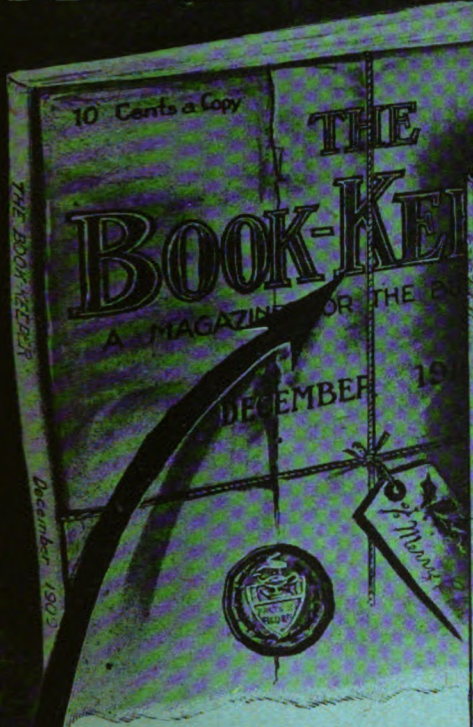
Mr. William F. Willoughby, Assistant Director of the Census, will speak on: Finances of Porto Rico.

DECEMBER 20, 1909.

No meeting, on account of proximity to the holidays.

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The Government Accountant

VOL. 3

DECEMBER, 1909

NO. 8

Accounts of the Foreign Service

BY JAMES H. TIBBITTS

The Accounts of a City

BY RICHARD M. CHAPMAN

(PART V.)

Classifications of Operating Accounts

PREScribed BY THE INTERSTATE COMMERCE COMMISSION
FOR COMMON CARRIERS IN THE UNITED STATES

Editorial Comment

PROGRESS IN MUNICIPAL FINANCIAL REPORTS

Official Announcements--Association Notes

Public Meetings

THE OFFICIAL MAGAZINE OF

The Association of American Government Accountants

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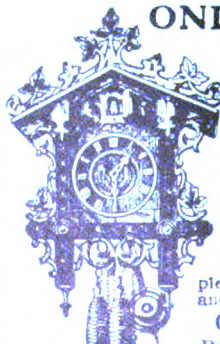
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The Government Accountant

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Vol. 3

DECEMBER, 1909

No. 8

Accounts of the Foreign Service.

By J. H. TIBBITTS, of the Bureau of Accounts, Department of State.
(An address delivered before the Association of American Government Accountants.)

Since the bright morning of the 31st of May, 1898, when Admiral Dewey steamed into Manila Bay and quietly remarked to Captain Gridley that he could commence firing when he was ready, and begin the war that was so wondrously to change the geography of the world, the relations of the United States with other countries have so tremendously changed, and our foreign policy has become such an influential factor in the world's politics that no one now needs to offer an apology for speaking of "Our Foreign Service" at any public gathering, except as to the imperfect and halting manner in which he may do it.

It would be presumption on my part, before an Association such as this, whose members are fully conversant with every detail in the administrative examination and settlement of public accounts to think it necessary to devote any time to such themes. It will rather be my place to speak of the character of the accounts and the class of questions peculiar to this service, growing out of the unusual conditions which surround it, and the statutes which govern it, for after all, the examination and settlement of an account or claim is much the same in all the accounting offices of the Government.

The foreign service comprises diplomatic and consular officers. Each class occupies a field of duty so peculiarly its own that notwithstanding the fact that the duties of a minister and consul may sometimes coincide, and that one officer is subordinate to the other, their relations are so adjusted as very seldom to afford opportunity for either friction or contention. Our diplomatic officers include ambassadors, envoys extraordinary, ministers plenipotentiary, ministers resident, and commissioners as principals, and agents and secretaries of embassies and legations as subordinate officers.

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The title of ambassador, envoy and minister pertains more to the dignity of the officers and the right of precedence rather than to their powers or duties. In our service there are 12 ambassadors, 34 ministers, 65 secretaries, and one diplomatic agent and consul general who is stationed at Cairo, Egypt.

Consular officers include consuls general, and consuls as principal and deputy consuls, vice consuls, consular agents and consular assistants as subordinate officers. There are 304 consulates, but five of the officers are carried in the diplomatic list either as ministers resident and consuls general or as secretaries of legations and consuls general.

The Constitution, Article II, Section 2, provides that the President "shall nominate and by and with the advice and consent of the Senate, shall appoint ambassadors, other public ministers and consuls," therefore, all principal officers in the foreign service are Presidential appointees, by and with the advice and consent of the Senate.

Every principal officer in the foreign service is required to take the oath of office provided by Section 1756 or 1757 R. S., and all consular officers are required to give a bond to the United States to be approved by the Secretary of State in the penal sum of not less than \$1,000, and in no case less than the annual compensation, conditioned for the true and faithful accounting for all the moneys and properties that may come into his hands officially, and for the true and faithful performance of all other duties imposed upon him. (R. S. 1697 et seq.)

The first authority for the expenses of the foreign service is found in the Act of July 1, 1790, which provides that the President shall be authorized to draw a sum not exceeding \$40,000 annually, for the support of such persons as he shall commission to serve in foreign parts. The salary of a minister plenipotentiary was by the same Act not to exceed the rate of \$9,000 per annum; but he could be allowed an outfit of the same amount which was paid in cash before the minister started for his post. The outfit was to cover his personal expenses in going out to his post. Henry Adams in his life of John Randolph, relates this story of the great Virginian: He was, in 1829, appointed to and accepted the mission to Russia. He was absent from home from June, 1830, to October, 1831, sixteen months, of which time he was at his post only ten days, and was paid under the provision of this Act the sum of \$21,807, and adds that this Act of Roman virtue stands unrivalled as the greatest diplomatic robbery in the annals of the Government.

It was doubtless such abuses as this which led to the organization of the service by the Act of 1856 with its drastic provisions.

Notwithstanding the excellent system of accounting for

receipts and expenditures of public moneys, adopted at the beginning of the Government under the Constitution, and the requirement of that instrument itself as to the publication of annual statements of receipts and expenditures, it was recognized that there might be some minor items of expense attaching to certain functions of Government that might with propriety be kept from the public, and accordingly Congress, on February 2, 1793, in extending the Act of July 1, 1790, *supra* added another Section as follows:

"Sec. 2. *And be it further enacted*, That in all cases, where any sum or sums of money have issued, or shall hereafter issue, from the treasury, for the purposes of intercourse or treaty, with foreign nations, in pursuance of any law, the President shall be, and he hereby is authorized to cause the same to be duly settled annually with the accounting officers of the Treasury, in manner following, that is to say; by causing the same to be accounted for, specifically, in all instances, wherein the expenditure thereof may, in his judgment, be made public; and by making a certificate or certificates, or causing the Secretary of State to make a certificate or certificates of the amount of such expenditures, as he may think it advisable not to specify; and every such certificate shall be deemed a sufficient voucher for the sum or sums therein expressed to have been expended."

Approved, February 9, 1793. S. L. Vol. I, 300.

Under this provision the expenses for the maintenance of the foreign service for several years were paid by the Secretary of State from money advanced to him upon warrants of the Secretary of the Treasury and the accounts retained in the Department of State.

When the fifth Auditor's office was created in 1817 (March 3, 1817, S. L. p. 366), the accounts of the foreign service were sent there for settlement, including some accounts for periods prior to that year. In fact accounts accruing in the year 1809 are among those first acted upon by the fifth Auditor. The above provision relating to the appropriation for foreign intercourse was continued in force until it was incorporated in the Revised Statutes as Section 291; and it is found just as useful today as ever.

Indeed, I have found many persons who, without being aware of the existence of this Section, imagine that the accounts of the foreign service receive practically no auditing at all, and that the funds provided therefor are expended at the will of the President. Nothing could be further from the truth as many a poor consul and minister has found to his sorrow. As a matter of fact it would be impossible to meet all the exigencies arising in the foreign service without some such provision of law. I will say however, that there is only one appropriation, and that not a large one, exclusively ex-

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pended under this Section; further, that this Section is never applied except to appropriations for expenses,—never to appropriations for salaries. I will even go farther and say that there is probably no Section of the Revised Statutes pertaining to the expenditure of public funds, more carefully guarded from abuse than this Section 291.

The foreign service as it now exists is based upon the Organic Act of August 16, 1856 (11 Stat. 52), which Act had been but slightly modified by statutory amendments until the Act of April 5, 1906, reorganizing the Consular service to which reference will be made later. It is supported by annual appropriations under the control of the Secretary of State.

The accounts arising under these appropriations from a legation or a consulate are few in number and generally do not involve large amounts, but the special provisions of law pertaining to the payment of compensation and the peculiar conditions attaching to the service, the parallel of which is found elsewhere in the public service, affords opportunities for many interesting, complicated and difficult questions of law.

The officers are located in foreign countries, and practically in every capital and in nearly every important commercial city in the world outside the United States will be found one or more of our representatives. Their business is transacted, and expenses incurred and paid, under every phase of civilization from the familiar customs and practices of Canadian towns to the semi-barbarous customs of Bagdad or Adis Ababa, in Chungking, 1600 miles in the interior of China, or in Iquitos at the head of the River Amazon. It is curious as well as interesting to observe from the accounts of these officers how nearly uniform very many of the commercial practices are becoming in every country where commerce finds its way.

Owing to the peculiar conditions arising from great distances, difference in customs and the long time necessary for correspondence, a greater latitude is allowed by the accounting officers to the foreign service as regards the purely technical details in rendering accounts and more discretion is used in their settlement than is found, perhaps, in any branch of the public service.

(By Section 1752 Revised Statutes), (S. L. VII, p. 60) "the President is authorized to prescribe such regulations and issue such orders and instructions not inconsistent with the Constitution or any law of the United States, in relation to the duties of all diplomatic and consular officers, etc., etc., as he may think conducive to the public interest and it shall be the duty of all such officers to conform to such regulations, orders and instructions."

The same provisions of law apply to the payment of salaries of both diplomatic and consular officers, to the ambas-

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sador at the Court of St. James and to the obscure consul at Tapachula, and are found in Sections 1740, 1741, 1742, and 1743, R. S.

Sec. 1740, R. S. No ambassador, envoy extraordinary, minister plenipotentiary, minister resident, charge d'affaires, secretary of legation, interpreter to any legation or consulate, or consul general, consul, or commercial agent, mentioned in Schedule B and C, shall be entitled to compensation for his services, except from the time when he reaches his post and enters upon official duties to the time when he ceases to hold such office, and for such time as is actually and necessarily occupied in receiving his instructions, not to exceed thirty days, and in making the direct transit between the place of his residence, when appointed, and his post of duty, at the commencement and termination of his official service, for which in all cases he shall be paid, except as hereinafter mentioned. And no person shall be deemed to hold any such office after his successor is appointed and actually enters upon the duties of his office at his post of duty, nor after his official residence at such post has terminated, if not so relieved. But no such allowance or payment shall be made to any consul general, consul, or commercial agent not embraced in Schedule B or C, or to any vice consul, vice commercial agent, deputy consul, or consular agent, for the time so occupied in receiving instructions, or in such transit as aforesaid; nor shall any such officer as referred to in this section be allowed compensation for the time so occupied in such transit, at the termination of his official service, if he has resigned or been recalled therefrom for any malfeasance in his office.

Under these provisions of Section 1740, in order to be allowed salary, a diplomatic or consular officer must show that he is either receiving instructions, actually and necessarily occupied in transit to or from his post at the commencement or expiration of his service, or is in actual charge of his post.

This Section is modified by the following three Sections, 1741, 1742 and 1743, as follows:

Sec. 1741. No ambassador, envoy extraordinary, minister plenipotentiary, minister resident, commissioner, charge d'affaires, secretary of legation, interpreter for any legation or consulate, or consul general, consul, or commercial agent, mentioned in Schedule B or C, or consular agent, shall be absent from his post, or the performance of his duties, for a longer period than ten days at any one time, without the permission previously obtained of the President.

Sec. 1742. No diplomatic or consular officer shall receive salary for the time during which he may be absent from his post, by leave or otherwise, beyond the term of sixty days in any one year; but the time usually occupied in going to and from the United States in case of the return, on leave, of such diplomatic or consular officer to the United States may be allowed in addition to such sixty days.

Sec. 1743. The compensation allowed by law to the various diplomatic and consular officers shall be in full for all the services rendered and personal expenses incurred by the persons respectively for whom such compensation is provided, of whatever kind such services or personal expenses may be, or by whatever treaty, law or instructions they are required; and no allowance, other than such as is so provided, shall be made in any case for the outfit or return home of any such officer or person.

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Section 1741 prohibits the absence of an officer from his post of duty, that is to be outside of his jurisdiction, for a longer period than ten days at one time, without leave previously obtained from the Secretary of State. This provision is to cover those exigencies that frequently arise in the service which do not permit a sufficient delay to communicate with the Department. All absences in excess of 48 hours are to be reported to the Secretary of State, and are counted as part of the statutory leave of sixty days.

Referring to that provision in Section 1742, providing that no diplomatic or consular officer shall receive salary for the time during which he may be absent from his post, *by leave or otherwise*, beyond the term of sixty days in a calendar year, the words "*or otherwise*" were understood by the accounting officers, until but a short time ago, to apply to *all* absences in excess of sixty days, whether by leave, without leave, or under orders of the President, and any officer who found himself in that predicament had his salary cut off for the period covered by the excess.

In the case of consular officers, the compensation disallowed the principal, is credited and paid to the vice officer in charge who, under private agreement with the consul generally pays over the money to the latter. But diplomatic officers have no such opportunity to recoup themselves from a subordinate and so have to pocket their loss unless they can secure reimbursement from the Department.

This often resulted necessarily in a hardship to the officer who, after having exhausted his leave for the year, might be ordered away from his post on important public business.

The most glaring case of this kind was when Mr. Andrew D. White, while Ambassador to Germany, was appointed by President McKinley as President of the American Commissioners to the first Peace Conference at The Hague in 1899. His attendance at the Conference caused him to largely exceed the statutory maximum leave of sixty days, and for which excess he was deprived of his regular salary. However, thanks to that wise provision of the early Congress before referred to, the Department was enabled to pay him the forfeited compensation in another way.

No attempt appears to have been made to have that part of Section 1742 properly construed until a consul's salary was disallowed by the Auditor for the time he was in attendance as a witness for the United States before the U. S. Court upon an order of the President. The matter came before the Comptroller upon appeal and, after a careful and thorough consideration of the law, notwithstanding the unbroken practice for many years, he decided that the words "by leave" or "otherwise" referred to absences personal to the officers, and did not "include an absence by direction of the Government, for its

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convenience upon its own business." (X Comptroller, 793, Dudley Case.)

This decision was preceded by an earlier one which was the case of a Vice Consul who, while in charge of the office, went outside of his consular jurisdiction upon public business connected with his own office. (M. S. Decision, Vol. 27, page 216.) In this case the Comptroller held that the Vice Consul was in charge of the office within the meaning of the law, notwithstanding his bodily absence therefrom.

These two decisions have fixed the practice and now an officer is allowed and paid his salary for any period he may be absent from his post upon public business, connected with his office under orders from the Department.

The salary of an officer who has been duly appointed begins on the day he enters upon his duties; that is, either begins his instruction period, commences his transit to his post or enters upon his duties at his post, as the case may be; but it cannot be paid until he has taken the oath of office and his official bond has been approved and filed with the Secretary of the Treasury. (XV Comptroller 418.)

Formerly an officer's salary did not commence until he had taken the oath of office, even though he had entered upon his duties. But in the Eaton case the United States Supreme Court, February 28, 1898, held "that the provisions of Section 1757 R. S. and the Act of May 13th, 1884, which requires generally that an officer shall take the oath of office prescribed before entering upon the duties of his office, are directory only," and the Comptroller (IV Comptroller, 496) accordingly decided that "a deputy clerk of the United States Court whose acceptance on the same day he was appointed was evidenced by his entrance upon duty and who subsequently took the oath is entitled to compensation from that date."

Cases arise very frequently in the foreign service where a person is notified by telegraph of his appointment to a consular or diplomatic post to which he is to proceed at once or to enter immediately upon his duties at the place where he may at the time be stationed.

His commission, a blank oath and a form of bond is sent him to execute and return to the Department of State; or he may be instructed to take the oath and execute a bond and forward them at once. In either case there is almost sure to be an interval that the officer will be performing duty without being duly qualified.

An officer's status, that is whether he is in the service or out of it, on leave or otherwise, or on duty by order of the President, as well as the date he enters upon his duty, and the termination thereof, is fixed by the Department of State, and the status being given, of course it falls to the account-

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ing officers to determine the compensation, under the law and regulations, attaching to that status.

Under the Act of 1856, R. S., 1740, a consul who was paid from fees, that is an unsalaried officer, received no compensation whatever until he actually entered upon his duties at his post. There being no provision whatever for transportation for either diplomatic or consular officers, every officer in the service was obliged to bear his own expenses, in going out to his post and returning therefrom, whether it was at Niagara Falls, Canada, or Peking, China. So it can readily be seen that the unsalaried consul who went to Australia or to Europe, and whose greatest official compensation could not exceed \$2,500 per annum, and whose pay could not commence until he assumed charge of his office, had not selected a real lucrative occupation.

The compensation of vice consular officers is provided for only from that of the principal officer. During the absence on statutory leave of the principal officer the Vice Consul, if in charge, is entitled to claim one-half the salary of the Consul. If the Vice Consul receives compensation as clerk or other officer, he is entitled in addition to such compensation only to such share of the Consul's salary as will raise his entire compensation to an amount equal to one-half of the Consul's salary, unless a different rate has been fixed by written agreement (R. S., 1703, Par. 506; C. R. and Ex. Order August 13, 1906). At present, however, there is no provision for the compensation of a Vice Consul when he is in charge of the office during the absence of the principal on public business under orders of the Department.

Consular Agents are paid by one-half of the fees received in their offices, up to a maximum sum of \$1,000 in any one fiscal year, the other half being accounted for and paid into the Treasury.

The reorganization Act of April 5, 1906, however, abolished all unsalaried consulates, increased the salaries at many of the places and provided that diplomatic and consular officers may be allowed transportation at the rate of five cents per mile in going to and returning from their posts of duty at the commencement and termination of their service, or when traveling under the orders of the Department. But no mileage may be allowed for any travel in connection with absences on leave.

A diplomatic or consular officer appointed in the United States will then receive salary from the date he begins his instructions for a period not to exceed thirty days, upon the expiration of which he is expected to proceed directly to his post, unless he is permitted to delay his departure to a more convenient time. His salary will cease, however, until he does start when it will again commence with the day of his depart-

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ure. The maximum transit period between Washington and all foreign countries and posts is established by the President, acting through the Secretary of State. (18 S. L. 70 Sec. 4.)

This maximum period is not allowed as a matter of right, but only the time actually and necessarily occupied in making the transit by the most usual and direct route, (XV Comptroller 332) and mileage is computed by the same route unless the officer is ordered, for public reasons, to go by a longer route, in which case the actual time and distance is allowed unless the period exceeds the maximum allowance.

Arriving at his post, a consul will at once take over the office unless it is necessary to await the receipt of his exequatur, which is the official recognition by the foreign Government of his commission. In some cases pending the receipt of the exequatur the local authorities have power to grant permission for the officer to perform his duty temporarily.

In the case of diplomatic officers, secretaries enter at once upon their duties upon arrival at their posts, but an Ambassador or Minister must await the official presentation to the head of the Government. This reception takes place entirely at the pleasure or convenience of the ruler and may be granted at once or be delayed for weeks or months and this without exciting either comment or ill feeling.

The salary of the officer continues however, for whatever period he may have to wait for his official recognition or is notified of its refusal, unless he is recalled by the President, in which case he will be allowed salary only for the usual period allowed for home transit from the date of such notification or recall.

After assuming charge of the office, of course the officer's salary continues to the termination of his service unless interrupted by excessive absence as before mentioned.

Upon retiring from the service, if at his post, when he has returned to the United States, the officer will be allowed and paid salary for the same transit period as when going out. That is, if he returns to the United States within a reasonable time or does not delay his return so as to raise the presumption of expatriation. But what constitutes an unreasonable time has never been determined, as the home transit salary has been allowed after a delay of several years. (Osborne Case.)

The allowance of salary to an officer, while receiving instructions and in transit, involves in most cases the payment of two salaries at the same time,—salary to the officer in charge of the post and to his successor. It is possible that even three officers may be receiving pay for the same office at the same time: the one going out to the post, the one coming home and the one in charge.

The extra salaries are paid from a special, indefinite

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annual appropriation for "Salaries, Diplomatic and Consular Officers, while receiving instruction, and in transit, etc."

When an Ambassador or Minister desires to leave the country to which he is accredited, whether on leave or otherwise, he notifies the Minister for Foreign Affairs of his intention and that he will leave the business of the mission in the hands of the Secretary as Charge d'Affaires ad interim.

For such time as the Secretary may be in charge of the mission he is entitled to be paid a compensation at the rate of 50% of the salary of the Minister or Ambassador. (Section 1685, R. S.)

This compensation was formerly paid from a special appropriation, the salary of the secretary lapsing. Owing to the increase in the number of missions and the appropriation for the pay of Charge d'Affaires remaining the same, for a number of years past the instances of secretaries acting as Charges have been so frequent as to cause the amount of their compensation to exceed the appropriation. As this caused a delay in the payment of the compensation until a deficiency appropriation could be obtained, Congress, at the request of the Department amended this provision to read as follows: "When a secretary of embassy or legation is acting as Charge d'Affaires ad interim he shall be entitled to receive, in addition to his salary as secretary, compensation equal to the difference between such salary and 50% of the salary of the principal officer at the post. (Act, March 2, 1909.)

All of our diplomatic officers in Europe, and with one exception those in Asia, in Brazil and Argentina, are provided with letters of credit on the bankers for the United States at London in the amount of their annual salaries and allowances for expenses. Drafts are drawn against these letters of credit and negotiated in the same manner as are other bills of exchange.

To meet these drafts advances are made to the bankers by the Treasury upon requisition of the Secretary of State. The consular officers in Europe are required to deposit their surplus consular fees with the London bankers, at the end of each quarter, which in the total amount to a considerable sum, so the balances carried by the bankers usually run from \$50,000 to \$100,000.

The bankers render regular quarterly accounts to the Department under each separate appropriation, submitting therewith the paid drafts of the diplomatic officers in support of the amount paid against their respective letters of credit. Upon settlement of their accounts the bankers are credited with the total amount paid and charged with the amount of advances and of consular fees reported, the various diplomatic officers being charged on the books of the Division of Bookkeeping and Warrants on their several accounts with the

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amount of their paid drafts, and the consular officers receiving credit in the same manner for their remittances.

For any additional allowances or for special accounts, the foreign officers draw directly on the Secretary of State.

All other diplomatic officers and generally all special agents draw on the Secretary of State for all purposes.

Consular officers are required to apply the official fees collected by them to the payment of their salaries, contingent expenses, compensation of subordinate employees, to expenses on account of destitute American seamen and to any other special account authorized; and the balance, if any remains in their hands is to be remitted to the U. S. Bankers in London or to the Treasurer of the United States. (Par. 516-567 C. R.)

When the fees of a consular officer are insufficient to meet the demands of the office he is permitted to draw drafts on the Secretary of the Treasury against his own salary and for the relief of American seamen; and on the Secretary of State for all other purposes. These drafts are negotiated as are any other bills of exchange and are usually presented for payment through a bank. Drafts are generally required to be drawn at fifteen days sight in order to give ample time for the usual routine incident to the making of requisitions and the drawing of warrants. These drafts are usually paid on accountable warrants; very rarely upon a settlement; the payment being considered as an advance of public money for which the officer is held accountable.

All accounts of the diplomatic service are rendered to the Department of State for examination and approval and also all accounts of the consular service except those for salary and fees and for American seamen, which are rendered directly to the Auditor for the State and other Departments.

The officers in both branches of the service are expected to draw only such drafts and in such amounts as they are authorized and usually the instructions are explicitly complied with. There are however, always a few men in the service, who seem to think, like Tom Brown at Rugby, that rules are only made to be disregarded and they deem almost any condition an emergency which warrants them in exceeding their instructions.

Formerly drafts of consular officers were not paid as a rule unless the account against which they were drawn had been received and the amount shown apparently to be due the officer. (Par. 566-581 C. R.)

Often drafts were necessarily drawn to pay expenses incurred or required to be incurred in advance of rendering the account, so it often happened that payment of the draft would be withheld by the Auditor for the non-receipt of the account until the bank or other holders would note a protest, unless

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assured by either the Department or the Auditor of its being in time duly honored.

This practice was the cause of much embarrassment to the drawers of the draft as well as to the Department, and when reorganization of the consular service took place in 1906, the Executive Order of August 13, 1906, issued to cover the changes in the regulations necessary to make them conform to the new law, contained the following provision: (Par. 581 is amended to read as follows:) "The payment of drafts of consular officers will be considered as an advance of public money to them for which they will be held accountable under their official bonds, and will not be considered as payment or settlement on account."

The controlling reasons which induced the Secretary of State to recommend this salutary change is contained in a memorandum on the subject, submitted to him and reading in part as follows:

"Consular officers are bonded officers and there appears to be no good reasons why consular officers, at those places where the amount of official fees collected is small, should not be advanced money for disbursements and compensation prior to the receipt of their accounts at the Auditor's office, as well as to allow other consular officers to pay the same out of official fees collected by them and for which they are held accountable under their bond.

"To do otherwise would seem to be an unjust, unreasonable, and unnecessary discrimination. In one case the consuls are provided with public money to meet all disbursements and in the other case they are required to advance their own funds to pay official expenses and are often obliged to wait weeks and months before being reimbursed. It is not to be supposed that one class of officers is any the less honest, or more negligent in the performance of their duties, than the other.

"It certainly has not been found more difficult to secure a prompt rendition of accounts in the one case than in the other, nor more difficult to effect a settlement of the accounts."

With a view to correct this inequality and to expedite the payment of consular drafts at the Treasury Department, the following changes in the Consular Regulations are suggested:

It has happened in many instances in the past that the return unpaid of an officer's draft has so affected his credit as to render it almost impossible for him to negotiate any other official draft. Merchants and bankers in most of the places of the world cannot understand why a great and rich country like the United States of America should ever dishonor a draft drawn by one of its accredited officers for any other reason than dishonesty on the part of the officer. The exhaustion of an appropriation, for instance, has no meaning for them.

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This being the case it can readily be seen why the credit and integrity of an officer abroad should be so scrupulously protected. Not only his own credit and integrity are involved but the faith and integrity of the Government is at stake, and so it has come to be the policy of the Department that its best interests abroad require the prompt payment of every draft of each of its representatives in the foreign service unless such payment would incur an irreparable loss to the Government. And even in some cases the Department will suffer a loss rather than to have the service discredited and its usefulness greatly impaired.

Now, if it is found that a draft cannot be paid the officer is cabled to withdraw it and is given other suitable directions in the case.

This leads up to a class of accounts that are common in the service, involving both large and small amounts and which are for a great variety of expenditures. I refer to the accounts for expenses incurred by the officers of the foreign service upon the request, and under the authority of the head of another Department or other Government establishment. These expenses may cover anything from a thousand tons of coal for a naval collier, a few samples of olive oil, the expenses incurred in connection with the arrest and detention of a straggler from a warship, to the cost of a consul's trip to Zacatecas, to inquire the cost of palm-leaf hats or the purchase of supplies for a light house tender going around to the Pacific Ocean. Here is a typical case: The Secretary of Agriculture wishing some date palms from Arabia requests the Secretary of State to instruct the American Consul at Maskat to procure samples of date palms and seeds of a particular variety found a hundred miles from his post. He is authorized to incur the necessary expenses therefor for which he is to render the appropriate account and vouchers. The Consul at Maskat receives a salary of \$2,000 per year, and probably has no other resources. He finds that to comply properly with these instructions it will require an outlay of \$75 or \$100. He has not money of his own to advance so he draws a draft on the Secretary of State and uses the proceeds to pay the expenses incident to complying with the instructions. The transmission of the account is of course delayed until the transaction is completed and all expenses paid, but the draft is forwarded at once by mail through London and New York Banks and is presented at the Department of State for payment.

Now this expense is just as much of a charge against any appropriation under the control of the Secretary of State as would be the cost of a thousand tons of coal purchased for an army transport by our Consular Agent at Port Said, or the dues on a naval collier passing through the Suez Canal, paid

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by him under orders of the President through the Secretary of State, at the request of the Secretary of the Navy. In the one case the draft is immediately referred to the Secretary of War or the Secretary of the Navy for payment to the holder and duly paid. In case the account is not received the draft will be held until near maturity, when if the account has not arrived the draft is forwarded to the proper Department for payment with the notice that the account will follow immediately upon its receipt. In the case of the date palms, however, the Secretary of State is expected to pay the draft and then ask reimbursement of the appropriation which has been charged with the payment through a settlement by the Auditor.

The service is rendered and the expenses incurred for and on behalf of the United States and not simply for the Department of State or for any other Department and clearly should be paid for only from the particular appropriation made and provided for that particular purpose. In one very recent case such an account was made out on the voucher form of the Department authorizing the expense and was forwarded to that Department for payment with the request of the officer that a Treasury warrant should be sent him,—no draft having been drawn. That Department refused to pay the account and returned it to the Department of State for payment out of an appropriation under its control to be reimbursed by a transfer settlement.

The account was referred to the Auditor for the State and other Departments who had the settlement under either appropriation endorsed for appropriate action, who referred it to the other Department for approval, which was at first refused; the officials insisting that the account should first be paid by the State Department. What has become of the account I am not fully informed, but I suspect that "people who walk in darkness have seen a great light" and that the officer by this time has received his warrant.

It is understood that this action of the officers of those Departments who decline to make direct payments of properly authorized expenses, incurred by the officers of another Department is based upon the decision in the Carden case found in XIV Comptroller, 295, and on the Comptroller's Circular No. 52 of July 29, 1907.

While I would not presume to construe the circular, nor the decision of the Comptroller, yet I am inclined to think that the circular has reference only to the proper manner of certifying vouchers to be paid by Disbursing Officers, and that the Carden case had reference chiefly to the fact that the officer rendering the service could only render service for the Department whose commission he bore, and that if it had only been a question of expenses only, the decision would not

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have been written as it was. In other words, the decision in the Carden case was in effect only that an officer or an employee of one Department cannot be detailed for service in another.

The President as the Chief Executive has the authority to order through the proper channels any officer or employee of the Government to perform any duty or service not inconsistent with the laws or regulations pertaining to that Department or establishment to which he belongs. He also without any doubt, has the authority to direct also through the proper channels any officer or employee in the Government service, or any person, to incur any proper expense within the limits of its provisions, under any appropriation, by Congress made for the support of the Government unless the Act making the appropriation itself specifically provides how and by whom the expenses thereunder shall be incurred and how paid.

If that is so then the President, acting through the usual channels may direct an officer or employee of one Department to incur an expense on behalf of another, which expenses, when incurred, become a charge only upon the appropriation under which it is authorized to be paid and to be paid by the Department authorizing the expenditure.

Under Section 3648 of the Revised Statutes the President is authorized to make such advances to Disbursing Officers of the Government as may be necessary, etc., etc., to the fulfillment of the public engagements. Under this provision public moneys are advanced to bonded disbursing officers, military and naval officers, to special agents and commissioners and to diplomatic officers, all of whom give no bond, and to bonded consular officers, otherwise the public business could not well be transacted.

It is as much the duty of the consular officers to carry out the orders of the President, issued through the Secretary of State, to procure date palms for the Department of Agriculture or supplies for a light house tender for the Department of Commerce and Labor, as it is to purchase a copy of the Turkish Code relating to emigrants for the Department of State.

This is not detailing a consular officer for service under another Department, it certainly does not make him an officer of that other Department, but it is simply authorizing him to incur an expense to be paid for by that other Department.

It may be interesting to note, that for more than 25 years the United States Consul at Liverpool has been incurring a regular quarterly expense for the Treasury Department to which he has applied official fees in payment. During all these years that and many other like accounts from the consular service have been settled and paid by the Treasury Department

from its own appropriation and the fee account of the consul credited or reimbursed by counter warrant.

The Secretary of War and the Secretary of the Navy take care of consular drafts when presented for payment whether the account has been received or not, with neither delay nor demurrer and it is difficult to see why the practice should not be uniform in all of the Departments. The advance will be charged to the officer under his official bond to be properly accounted for in due time.

The provisions of law and regulations for the employment and compensation of clerks and other employees in the foreign service are so simple and have been so well construed by the Comptroller, that practically no questions ever arise in connection therewith. The peculiar wording of the appropriation acts, continued from year to year, has allowed the Comptroller to so construe the law as to give the Department ample opportunity to so use the fund allotted to each mission or consulate as to meet the condition at each place to the best advantage. It may be rather startling however, in the light of many decisions of the Comptroller prohibiting double compensation to know that it is quite a common practice in foreign parts and is a practice probably as old as the service.

Clerks, paid from the appropriation "Allowances for Clerks at Consulates," which is a lump sum to be expended under the direction of the Secretary of State, may also be paid as messengers, from the appropriation for contingent expenses which is expended for purposes specified under the direction of the President. A marshal for a consulate court may also be paid as an interpreter (see Decision of the Comptroller) April 23, 1904, (29 M. S. Comp. Dec. 292), Smyth-Lyte case), and an interpreter may be paid an additional compensation as messenger.

This is permitted on the ground that the duties are not incompatible, and that the compensations are of the nature of allowances rather than regular compensation fixed by law and regularly appropriated for.

The constantly shifting conditions attaching to the offices in oriental countries, make necessary some such elastic practice in order to secure the best results with the funds available for those offices. No evil appears to have grown out of this course, but on the contrary it has been productive of much good, especially in those cases where by uniting the two compensations a good employee can be secured which would be impossible if only one were available.

Regarding the expenses of maintaining an office there is almost never any serious difficulty, except for the officer to keep his expenses within the sometimes meager allowance granted. The appropriations for this purpose in past years have been so inadequate as often to require the officers themselves to pay

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for necessary service or equipment out of their pitifully small salaries. There is a statutory provision, R. S. 1706, that the amount paid for the rent of a consular office should not exceed 20% of the salary for that post. In some large towns where the salary was \$1,500 or \$2,000 per annum, the allowance for rent would often furnish only the meanest kind of quarters. The Department has some tons of correspondence on the subject of offices. In many of the larger cities of Europe and South America, the character of the American Consulate was a source of regret to all American travelers who visited them. However, Congress in the Act of May 21, 1908, making appropriations for the foreign intercourse raised the limit to 30% and has so enlarged the appropriation for office expenses that in future our representatives abroad will have no cause to feel ashamed of their quarters.

Although the Department has officers located in every foreign country where every language is spoken and where every kind of money is used, their accounts of course are required to be rendered in the English language and expressed in United States money. All vouchers in a foreign language are required to be accompanied by such a translation as will enable it readily to be understood and all amounts expressed in foreign money are required to be reduced to their equivalent in American gold before being brought into an account.

Gold has become so nearly a universal standard that only China, Persia and Siam in the old world, and of the American countries only four of the Central American States, still adhere to the silver standard. But even in the silver standard countries gold is the standard for international exchange.

In the gold standard countries there is practically no fluctuation in the value of the money in circulation; but in the silver countries it is never alike two months in succession; the circulating medium varying in value with the price of silver in London or from other economic causes. The Secretary of the Treasury issues a table showing the value of foreign coins on the first day of each quarter, which values are used in converting foreign money to its equivalent in American gold. The circular is sent to the officers in all countries with fluctuating currencies, for their information and use.

In the collection of consular fees the officer is allowed to collect enough in the foreign money to protect himself from any loss caused by fluctuation, but if at the end of the quarter he has an excess he must credit the same to the United States in his account current when rendered.

Any loss by exchange sustained in negotiating drafts is a proper charge to be included in the expense account. In computing loss by exchange the proceeds in foreign currency of the draft is converted to its equivalent in United States gold at the rate fixed by the Director of the Mint, as shown by the quarterly circular above referred to. The difference between

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the value of the proceeds in United States currency and the face of the draft is the loss or gain by exchange which should be entered in the account. As simple as that process seems, loss by exchange has been the source of more trouble and controversy in the accounts of the foreign service than any other one cause.

By the Act of 1856 fees for official services only, that is, fees for those services which could be performed only by the United States consular officers were considered as official fees to be accounted for and turned into the Treasury. Fees for those services of a purely notarial character—those services which might be performed by any officer competent to administer oaths or to take acknowledgments—were considered as unofficial and personal perquisites of the officer. Consular officers were required to render separate abstracts properly sworn to of both classes of fees, showing in detail the character and amount of each fee collected and to render a true account of all official fees at the end of each quarter. (Sec. 1734 R. S., pp. 532-533-569, C. R.)

While the notarial fees were considered as belonging to the officers the sworn statement was required to be rendered in duplicate, one copy to the Auditor and the other to the Department of State where it was examined, in the one place to see that no official service was included therein and in the other to ascertain what services were being performed by the officer and to see, as some times happens, that excessive charges therefor were not exacted.

The official fees collected are for certifying invoices of merchandise to be exported to the United States, for landing certificates of goods exported from the United States upon which there may be a drawback or rebate of customs duties or internal revenue taxes paid thereon, for certifying bills of health for a vessel bound to a port of the United States, for executing powers of attorney, taking acknowledgments for service rendered American vessels and seamen and for other miscellaneous services. The amount of each fee is prescribed by the President in a tariff of consular fees which is not to be departed from in any instance, (R. S. 1746 C. R. 533) and is to be collected in American gold coin or its equivalent.

But while the amount of fee might not be increased, in the case of services to American vessels by officers, whose compensation depended upon the amount of fees collected, there was a never present temptation to increase the number of services to a vessel and sometimes *e. g.* when a ship's master visited a port for the first time, or was unused to the customs, the Consul being his natural and proper adviser, often imposed upon him many services not required and not actually necessary; thus exacting an increased payment of fees, and laying a hardship upon the vessel that was as *illegal* as *unnecessary*.

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To stop this improper practice and to relieve the American merchant marine of some of its burdens, the Dingley Act of July 1, 1884 was enacted by Congress. This Act prohibited the collection from any regularly registered American vessel by any consular officer of the United States of any fee for any official service required by the master or seamen. For such of these fees, however, as they might be entitled for compensation, all unsalaried consular officers were required to render a separate account, supported by a sworn statement, showing in detail each service performed to the Secretary of the Treasury, who, upon settlement thereof by the 5th Auditor was authorized to pay the amount found due out of an indefinite annual appropriation therefor.

This law gave rise to a new class of accounts, and to which our old friend, Mr. John S. Garrison, used to refer to as the most perplexing of any public accounts, as it was so difficult to determine what services were actually necessary to be rendered a vessel at many of the distant seaports of the world. But the sworn statement of the Consul supported by the evidence of the master of the vessel were generally allowed to govern, except in cases of manifest impropriety or error.

The reorganization Act of April 5, 1906, abolished all the unsalaried principal offices and only Consular Agents now render such accounts, and even they can claim compensation only in the amount of one half the fees for such services, the warrant upon settlement being made out in the name of and transmitted to the agent performing the services.

By the Act of April 5, 1906, Congress provided that consular officers should be provided with adhesive official stamps of suitable denominations, to be affixed to papers or documents, requiring consular action for which a fee is prescribed, the affixing of the stamp to be evidence of the payment of the fee. It was also provided that no such consular act shall be legally valid within the jurisdiction of the United States unless such stamp or stamps be affixed.

The fee stamps accounts are rendered quarterly to the Department of State. The stamp system was adopted from the British consular service, as a check on the amount of fees collected. While it may have acted as a deterrent to dishonesty in some instances, more, however, as a bugaboo than as a real preventive. There is no question if the stamp system is to be continued and to effect the purpose for which it was devised, but that it must undergo very material modification.

A seaman on board of an American merchant vessel bound for a foreign port is considered a ward of the Government from the day he signs the shipping articles until he returns to the United States, and the master of every such vessel is under a bond to return the seamen to some American port, or to satisfactorily account for him under the law.

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As he is engaged before an U. S. Commissioner he must also be discharged before an officer of the United States, which in a foreign port is the U. S. Consul, if there be one; and no seaman can be discharged without the consent in writing of the consul.

It is the duty of the consul to superintend the settlement of seamen's accounts with the vessel when discharged, to collect all wages, arrears or extra wages that may be due him under the shipping articles or under the law, and to retain custody of it, or to pay it over to the seamen as circumstances require.

It is the consul's duty also, although this is probably not always done, to manage the funds of a seaman as long as he remains at the port where the consulate is located, to provide him with a suitable boarding house, suitable clothing if required or to furnish him with medical attendance if needed. This, of course is paid for from the funds of the seamen.

When a seaman's funds are exhausted, or if he comes upon the consulate without funds, he is generally entitled to relief and maintenance at the expense of the United States until he can be found suitable employment or furnished transportation to the United States or to another consulate where such employment or transportation may more readily be secured. (R. S. Sec. 4577-4578.)

The consul will of course satisfy himself that seaman is entitled to relief under the Statutes, usages and practice described in the consular regulations and his decision, in absence of fraud, is conclusive upon the accounting officers. (III Comp. 40.)

Consuls at seaports are required to make a quarterly report to the Auditor for the State and other Departments of all seamen discharged or shipped by them, which shows in detail the history of each man. They are also required to render an account quarterly of all moneys received or disbursed on account of seamen. This account shows in detail the name of seaman, amount collected, amount expended and for what purpose. In case relief is extended to any destitute seaman the consul will pay the same from official fees or draw a draft for the amount on the Secretary of the Treasury, crediting the same in the account when rendered.

This is but the briefest possible reference to this important subject and scarcely touches it, but there are more paragraphs of the consular regulations and more sections of the Revised Statutes treating of the duties of consular officers towards American seamen and showing the solicitude of the Government for the welfare of this always useful, often turbulent, sometimes helpless, and generally needy class of its citizens, than pertain to any other class of accounts of the consular service.

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It is the duty of consular officers, when the laws of a country permit, to take possession of the personal estate left by any citizen of the United States dying within their consular jurisdiction and leaving no legal representative, to inventory the same, to collect the debts due the deceased in that country, to sell at public auction the perishable property and such other part necessary for payment of the debts, and at the expiration of one year from the date of death, to sell the remainder and to transmit the balance of the estate to the Treasurer of the United States; where it is deposited in the Estates of Decedents' Trust Fund and to the personal credit of the estate of the said decedent. The consul will render an account showing the receipt from all sources of the estate the total amount paid and the amount remitted, together with all vouchers pertaining thereunto.

Whenever a consul shall receive authentic intelligence of the rescue from shipwreck of seamen or citizens of the United States by a foreign vessel, it is his duty without delay to inform the Department fully in regard to the fact, including the name of the master of the vessel and the names of such of the crew as may have especially distinguished themselves. If after investigating the matter of the rescue, the master or any of the crew of the rescuing vessel, are, in the judgment of the consul, deserving of reward he is authorized to pay them without previous reference to the Department of State, a sum of money in gold ranging from \$5.00 to \$25.00, according to the rank of the recipient—this money being paid from any public funds on hand, or a draft may be drawn on the Secretary of State for the amount, and a separate account rendered therefor.

The foregoing represents to some extent the more important matters connected with the accounts of the foreign service and perhaps no one can appreciate better than myself, how inadequately the subject has been treated. In closing I can do no better, possibly, than to repeat the injunction of the Department on the subject to the classes of diplomatic and consular officers who received their instructions last summer previous to starting for their respective posts of duty. After speaking of the peculiar conditions attaching to the service and the leniency shown in the settlement of their accounts, they were told that this will not excuse an officer from exercising the utmost care and diligence in the performance of his duty. If he wishes to impress the people among whom he resides with the dignity and importance and beneficence of the Government he represents and to secure the commendation of the Department and of the Accounting Officers of the Treasury, there is no way he can so well produce the desired result as by exhibiting the most painstaking attention to the details of his official duties not the least important of which are those connected with the conduct of his financial affairs."

The Accounts of a City.

BY RICHARD M. CHAPMAN, C. P. A.

(Continued.)

SYNOPSIS OF PRECEDING CHAPTERS.

The Development of Municipal Accounting:—Changes in Method and Procedure Contemplated. Merits of Former Expedients. Scope of Thesis. Governing Distinctions. Form of Presentation and Illustration of Subject Adopted. Appropriation Funds and Provision Therefor. Assessment Funds. Taxes and Assessments Differentiated. Interest on and Redemption of Assessment Bonds. Water Revenue and Maintenance. Receiving and Collecting Officers. Bond Funds. Special Funds. Accounts Current. Primary Classification of Receipts. Liquidation of Imposts. Application of Miscellaneous Revenues. Refunding of Taxes, Assessments and Water Rates, paid in error. Refunds of Miscellaneous Revenues. Characteristics of Different Types of Funds. "A" Warrants Drawn Against Appropriations. "B" Warrants Drawn Against Special and Trust Accounts. Audit, Registration, Payment and Cancellation of Warrants. Significance of the Balances of Fund, Warrant and Cash Accounts. Current Taxes, Assessments and Water Rates, and Arrears. Enforcing Collection by Sale. Disposition of Surplus Balances of Funds. City Treasury Journal, Ledger and Trial Balance thereof.

THE PRINCIPAL OF THE CITY DEBT.

The accounts dealing with this division of the City's operations, conducted for the purpose of measuring the volume and determining the character of the City's obligations on loans, the conditions under which such loans were contracted, the purposes which they conserve, and the current additions thereto and redemption thereof, form a distinct and separate subject of record and possesses an independent scheme of double entry control, circle of action, and equation of results.

In the transactions of the City Treasury, as outlined in the preceding part of this treatise, the proceeds from the sale of all City bonds are charged to the City Treasurer and credited to bond funds, which in turn are charged with the expenditures made therefrom. On the other hand, the redemption of bonds other than by the Sinking Fund is credited to the City Treasury and charged against Appropriation or Assessment funds, which in turn had been previously credited with the provision therefor by way of Appropriation or Assessment levy, and, with the exception of Revenue Bonds issued in anticipation of the collection of taxes in which the credits of proceeds from sale and charges of redemption offset in the same account, none of the accounts mentioned shows either the amounts of bonds authorized but not issued or the amounts of bonds issued but not redeemed, or in any way reflects the status of the City debt, and it is accordingly for the purpose of establishing and expressing such facts, regarded as a separate subject of record, that this feature of the City accounts is organized and operated.

Before illustrating the entries and accounts consequent upon the character and purpose of the records now to be de-

veloped it is necessary to note a distinction between two general classes of bond obligations, namely, Long Term Loans and Temporary Loans. The first class comprehends Permanent Loans, by which term is meant permanent improvement bonds usually maturing in fifty years or thereabouts from the date of issue; and assessment bonds usually maturing in about twenty years, or as the related assessments are realized, both of which are issued pursuant to general or special laws under specific titles, and are convertible at pleasure of holders into coupon or registered bonds. The second class comprehends special revenue bonds, payable out of the succeeding year's tax levy, and revenue bonds issued in anticipation of the collection of taxes, payable at brief intervals as taxes are collected, both of which are issued pursuant to charter provision and constitute simple debentures, or certificates of indebtedness similar in form and tenor to the ordinary promissory note.

The first class, *i. e.*, long term bonds, are authorized in stated amounts for each specific purpose indicated by the title of the bond and the title of the fund to be raised, and are thereafter issued from time to time as money is required to finance the particular undertaking, occasioning in many instances years to elapse before the succeeding issues exhaust the stipulated amount authorized, and require the operation of accounts showing both the liquidation of the authorization by subsequent issues and the liquidation of the issue by subsequent redemptions.

The second class, *i. e.*, temporary loans, are both authorized and issued simultaneously as needs demand, and require only the operation of accounts to show the liquidation of issues by subsequent redemptions.

The authorizations of long term loans are accordingly registered chronologically as they occur in the "Register of Bond Authorizations," each entry stating the date, title of loan and of fund, laws, term, interest rate, and amount.

The sales or issues of both long term and temporary loan bonds, whether taken at par by the sinking funds or at a premium by public sale, are registered chronologically in the "Register of Bond Sales," distinguishing between each of the four kinds, *i. e.*, Permanent Loan Assessment, Special Revenue, and Revenue Bonds, and stating in each instance the date, number, title, term, interest rate, purchaser, face amount, premium, and total proceeds.

The redemptions of bonds, whether paid out of the sinking funds or the City Treasury, and whether by direct taxation through appropriation fund, by assessments, or by special revenues, are registered chronologically in the Register of Bond Redemptions, reciting substantially the same details and distinguishing between the same classification as in the registration of sales.

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The individual entries or items in the Register of Bond Authorizations are posted to the credit of the several specific authorization accounts in the Loan Ledger under the established loan titles. The individual entries or items in the Register of Bond Sales are posted to the credit of the several specific loan accounts in the Loan Ledger, and such as relate to long term loans are also posted to the debit of the corresponding authorization accounts, thereby reducing the balances of the latter to the amounts unissued.

The individual entries of items in the Register of Bond Redemptions are posted to the debit of the several specific loan accounts previously credited with the sales, and so reduce the balances of said accounts to the amount of loans outstanding. The premiums have already been taken care of in the entries dealing with the City Treasury, having been credited to Miscellaneous City Revenue, and from there transferred to the Bond Funds, Assessment Funds, Special Funds, or General Fund, as they severally apply.

The several specific loan accounts in the Loan Ledger are further subdivided by columnar analysis or sub-accounts to segregate the bonds held by the sinking funds from those held by the public, and the coupon bonds from the registered bonds, as well as dividing the loans according to the several rates of interest which may obtain in the sales from year to year.

From the data furnished by the three registers just described the following entries are made in the General Journal either monthly or at other suitable rests in the accounts, and posted to controlling accounts in the General Ledger, to which accounts the sum total of the balances of each class in the Loan Ledger must conform.

PRINCIPAL OF THE CITY DEBT—JOURNAL.

ENTRY 18.

1.	Loans Authorized: To Sundries	\$3,785,000.00	
4.	Permanent Loans Authorized		2,985,000.00
5.	Assessment Loans Authorized		800,000.00

For bonds authorized for general and local purposes as per Register of Bond Authorizations, the individual items of which have been posted therefrom to the credit of the several specific authorization accounts in the Loan Ledger.
(Aggregate of periodical entries.)

ENTRY 19.

1.	Sundries: To Loans Authorized		3,382,000.00
4.	Permanent Loans Authorized	2,583,000.00	
5.	Assessment Loans Authorized	799,000.00	

For bonds sold and issued for general and local purposes as per Register of Bond Sales, the individual items of which have been posted therefrom to the debit of the several specific authorization accounts in the Loan Register, previously credited with the amounts authorized, thereby reducing the balances thereof to the amount still unissued.

(Aggregate of periodical entries.)

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ENTRY 20.

2.	Principal of the City Debt: To Sundries.....	\$10,154,590.39	
6.	Permanent Loans		3,588,000.00
7.	Assessment Loans		799,000.00
8.	Special Revenue Bonds.....		562,290.39
9.	Revenue Bonds issued in anticipation of the col- lection of taxes.....		5,210,300.00

For bonds sold and issued for general, local and current administrative purposes as per Register of Bond Sales, the individual items of which have been posted therefrom to the credit of the several specific loan accounts in the General Ledger.

(Aggregate of periodical entries.)

ENTRY 21.

2.	Sundries: To Principal of the City Debt....		\$9,881,650.11
6.	Permanent Loans	3,575,000.00	
7.	Assessment Loans	750,000.00	
8.	Special Revenue Bonds.....	444,050.11	
9.	Revenue Bonds issued in anticipation of the Col- lection of Taxes		5,112,600.00

For bonds redeemed as per Register of Bond Redemptions, the individual items of which have been posted therefrom to the debit of the several specific loan accounts in the Loan Ledger previously credited with the amounts issued, thereby reducing the balances thereof to the amounts still outstanding.

INTEREST ON THE CITY DEBT.

A subject allied to the principal of the city debt is the interest thereon, which for purposes of control also occasions the operation of an independent scheme of registration, entries, and accounts, and being so closely related to the main subject under discussion, can with advantage be regarded as a part of it, and accordingly be considered at this juncture.

As all long term bonds are usually dated uniformly for each issue on the first day of a stated calendar month in a stated year, from which the semi-annual interest accruals are reckoned, and as such bonds may be actually sold on any interim day between interest payments, the accrued interest at the time of sale enters as a factor therein and must be paid by the purchaser in addition to the price of the bond proper, which interest purchase, however, is automatically refunded through the payment of the full six months' interest at the next ensuing interest date, which will be less than six months thereafter by whatever period has already elapsed. Such accrued interest when purchased with bonds is of course credited to Interest Fund (special) as an offset to the succeeding payment charged thereto, and it becomes necessary to provide a means of determining the dates, amounts and payees of all succeeding interest payments in order that due provision therefor may be made in the budget, and that no default or overpayment will result in consequence of insufficient accounting and control of the constantly changing status of the situation.

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Accordingly as each issue of bonds is entered in the Register of Bond Sales, accounts are opened in the Interest Ledger with the Sinking Funds and Public Vendees of Registered Loans, or with each class and rate per cent. of coupon bonds or negotiable loans, to which are posted the amounts and interest rates of their respective holdings, to be augmented by succeeding sales and reduced by succeeding redemptions as subsequently posted from the Registers of Sales and of Redemptions, so that while the aggregate of these accounts will show the same total principal of debt as the aggregate of the accounts in the Loan Ledger, the specific accounts instead of dealing with said principal according to the titles of the bonds will deal with it according to the obligees for the interest and different rates per cent. thereof, whereby the ensuing interest accruals may be readily calculated and be properly credited and charged to obligees' accounts as they currently fall due and are liquidated.

These obligees' accounts are therefore each conducted in two parts, one dealing with the principal and the other dealing with the interest, and while the first part moves in consonance with the loan ledger and derives its items from the same registers, the second part requires its own posting mediums, which consist of, first, the Register of Interest Accruals, wherein the interest payable month by month is entered and posted to the credit of the several accounts, and second, the Register of Interest Payments, wherein the checks drawn against the "A" and "B" warrants charged to Appropriation or Special Interest Funds, are entered and posted to the debit of several accounts in said Interest Ledger, which will display all balances collectively equal to the interest payments due and pending, and in agreement with the controlling account thereof in the General Ledger created through the following entries in the General Journal:

ENTRY 22.

3.	Interest on the City Debt: To Sundries.....	\$1,617,998.11	
10.	Interest Payable to Sinking Funds.....		495,473.83
11.	Interest Payable to Registered Bond Holders		506,261.85
12.	Interest Payable to Unregistered Bond Holders		616,262.32

For interest on the City Debt accrued and payable to the sinking funds and public holders of City Bonds, as per Register of Interest Accruals, the individual items of which have been posted therefrom to the several obligees' accounts in the Interest Ledger.

(Aggregate of periodical entries.)

ENTRY 23.

3.	Sundries: To Interest on the City Debt.....	\$1,615,806.41	
10.	Interest Payable to Sinking Funds.....	495,473.83	
11.	Interest Payable to Registered Bond Holders..	505,696.40	
12.	Interest Payable to Unregistered Bond Holders..	614,636.18	

For interest on the City Debt paid and discharged as per Register of Interest Payments, the individual items of which have been posted therefrom to the several obligees' accounts in the Interest Ledger previously credited with the accruals thereof, thereby reducing the balances thereof to the amount of interest still unliquidated.

(Aggregate of periodical entries.)

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The unliquidated interest arises from accruals credited on the 31st of the month but not paid until the 1st of the month following, or from delay on the part of obligees to appear in person or transmit coupons for payment.

In order that the foregoing entries may be readily traced to the ledger accounts to which they give rise and the double entry scheme of the accounts demonstrated, they are here repeated without explanatory text and in close formation, followed by a skeleton of the General Ledger showing the controlling accounts operated and a true balance thereof showing the opening and closing balances, and the intervening volume of the transactions of the fiscal year assumed for the purpose of illustration.

PRINCIPAL OF AND INTEREST ON THE CITY DEBT—JOURNAL.

—18—		
1.	Loans Authorized : To Sundries	\$3,785,000.00
4.	Permanent Loans Authorized	2,985,000.00
5.	Assessment Loans Authorized	800,000.00
—19—		
1.	Sundries : To Loans Authorized	3,382,000.00
4.	Permanent Loans Authorized	2,583,000.00
5.	Assessment Loans Authorized	799,000.00
—20—		
2.	Principal of the City Debt : To Sundries	10,154,590.39
6.	Permanent Loans	3,583,000.00
7.	Assessment Loans	799,000.00
8.	Special Revenue Bonds	562,290.39
9.	Revenue Bonds issued in anticipation of the Collection of Taxes	5,210,300.00
—21—		
2.	Sundries : To Principal of the City Debt	9,881,650.11
6.	Permanent Loans	3,575,000.00
7.	Assessment Loans	750,000.00
8.	Special Revenue Bonds	444,050.11
9.	Revenue Bonds issued in anticipation of the Collection of Taxes	5,112,600.00
—22—		
3.	Interest on the City Debt : To Sundries	1,617,998.00
10.	Interest Payable to Sinking Funds	495,473.83
11.	Interest Payable to Registered Bond Holders	506,261.85
12.	Interest Payable to Unregistered Bond Holders	616,262.32
—23—		
3.	Sundries : To Interest on the City Debt	1,615,806.41
10.	Interest Payable to Sinking Funds	495,473.83
11.	Interest Payable to Registered Bond Holders ..	506,696.40
12.	Interest Payable to Unregistered Bond Holders	614,636.18

PRINCIPAL OF AND INTEREST ON THE CITY DEBT—LEDGER.

1. Loans Authorized.		
	Balance, 31 Dec., 1907	\$7,957,000.00
18.	Sundries	3,785,000.00
		11,742,000.00
19.	Sundries	3,382,000.00
	Balance, 31 Dec., 1908	8,360,000.00
		11,742,000.00

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2. Principal of the City Debt.

	Balance, 31 Dec., 1907.....	39,875,642.10	
20.	Sundries	10,154,590.39	
		<u>50,030,232.49</u>	
21.	Sundries	9,881,650.11	
	Balance, 31 Dec., 1908.....	<u>40,148,582.38</u>	
			<u>50,030,232.49</u>

3. Interest on the City Debt.

	Balance, 31 Dec., 1907.....	91,600.30	
22.	Sundries	1,617,998.00	
			1,709,598.30
23.	Sundries	1,615,806.41	
	Balance, 31 Dec., 1908.....	<u>93,791.89</u>	
			<u>1,709,598.30</u>

4. Permanent Loans Authorized.

19.	Loans Authorized.....	2,583,000.00	
	Balance, 31 Dec., 1908.....	<u>5,762,000.00</u>	
			8,345,000.00
	Balance, 31 Dec., 1907.....	5,360,000.00	
18.	Loans Authorized	<u>2,985,000.00</u>	
			<u>8,345,000.00</u>

5. Assessment Loans Authorized.

19.	Loans Authorized	799,000.00	
	Balance, 31 Dec., 1908.....	<u>2,598,000.00</u>	
			3,397,000.00
	Balance, 31 Dec., 1907.....	2,597,000.00	
18.	Loans Authorized	<u>800,000.00</u>	
			<u>3,397,000.00</u>

6. Permanent Loans.

21.	Principal of the City Debt.....	3,575,000.00	
	Balance 31 Dec., 1908.....	<u>26,809,000.00</u>	
			30,384,000.00
	Balance, 31 Dec., 1907.....	26,801,000.00	
20.	Principal of City Debt.....	<u>3,583,000.00</u>	
			<u>30,384,000.00</u>

7. Assessment Loans.

21.	Principal of the City Debt	750,000.00	
	Balance, 31 Dec., 1908.....	<u>10,051,000.00</u>	
			10,801,000.00
	Balance, 31 Dec., 1907.....	10,002,000.00	
20.	Principal of City Debt.....	<u>799,000.00</u>	
			<u>10,801,000.00</u>

8. Special Revenue Bonds.

21.	Principal of the City Debt.....	444,050.11	
	Balance, 31 Dec., 1908.....	<u>617,240.28</u>	
			1,061,290.39
	Balance, 31 Dec., 1907.....	499,000.00	
20.	Principal of City Debt.....	<u>562,290.39</u>	
			<u>1,061,290.39</u>

9. Revenue Bonds Issued in Anticipation of Taxes.

21.	Principal of the City Debt.....	5,112,800.00	
	Balance, 31 Dec., 1908.....	<u>2,671,342.10</u>	
			7,783,942.10
	Balance, 31 Dec., 1907.....	2,573,642.10	
20.	Principal of City Debt.....	<u>5,210,300.00</u>	
			<u>7,783,942.10</u>

10. Interest Payable to Sinking Funds.

23.	Interest on the City Debt.....	495,473.83	
22.	Interest on the City Debt.....	<u>495,473.83</u>	

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11. Interest Payable to Registered Bond Holders.

23.	Interest on the City Debt.....	505,696.40	
	Balance, 31 Dec., 1908.....	31,040.70	
			536,737.10
	Balance, 31 Dec., 1907.....	30,475.25	
22.	Interest on the City Debt.....	506,261.85	
			<u>536,737.10</u>

12. Interest Payable to Unregistered Bond Holders.

23.	Interest on the City Debt.....	614,636.18	
	Balance, 31 Dec., 1908.....	62,751.19	
			677,387.37
	Balance, 31 Dec., 1907.....	61,125.05	
22.	Interest on the City Debt.....	616,262.32	
			<u>677,387.37</u>

(See Trial Balance on next page.)

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TRIAL BALANCE.

Title of Fund.	31 December, 1907.		Intervening Transactions.		31 December, 1908.	
	Dr.	Cr.	Charges.	Credits.	Dr.	Cr.
1. Loans Authorized	\$7,957,000.00		\$3,785,000.00	\$3,382,000.00	8,360,000.00	
2. Principal of the City Debt	39,875,642.10		10,154,590.39	9,881,650.11	40,148,582.88	
3. Interest on the City Debt	91,600.30		1,617,998.00	1,615,808.41	93,791.80	
4. Permanent Loans Authorized		5,380,000.00	2,583,000.00	2,985,000.00		5,762,000.00
5. Assessment Loans Authorized		2,597,000.00	799,000.00	800,000.00		2,598,000.00
6. Permanent Loans		26,801,000.00	3,575,000.00	3,593,000.00		26,809,000.00
7. Assessment Loans		10,062,000.00	740,000.00	799,000.00		10,081,000.00
8. Special Revenue Bonds		498,000.00	445,050.11	562,290.89		617,240.28
9. Revenue Bonds Issued in Anticipation of Taxes		2,573,642.10	5,112,600.00	5,210,300.00		2,671,342.10
10. Interest Payable to Sinking Funds			485,473.83	485,473.83		
11. Interest Payable to Registered Bond Holders		30,475.25	506,696.40	506,261.86		31,040.70
12. Interest Payable to Unregistered Bond Holders		61,125.05	614,636.18	616,282.32		62,761.19
	\$47,924,242.40	47,924,242.40	30,437,044.91	30,437,044.91	48,602,374.27	48,602,374.27

(To be continued)

Classifications of Operating Expense and Operating Revenue Accounts of Common Carriers as Prescribed by the Interstate Commerce Commission.

On pages 326-331 there is presented a grouping, by general and primary accounts, of classifications of operating accounts as prescribed by the Interstate Commerce Commission in accordance with section 20 of the act to regulate commerce, as amended:

This statement includes extracts from:

Classification of Operating Expenses for Steam Roads:

Third revised issue under date of June 3, 1907.

Supplement to third revised issue under date of June 1, 1908.

Third revised issue (condensed) under date of June 1, 1908.

Classification of Operating Revenues for Steam Roads:

First issue under date of June 3, 1907.

Supplement to first issue under date of June 1, 1908.

Classification of Operating Expenses of Electric Railways:

First issue under date of June 1, 1908.

Classification of Operating Revenues of Electric Railways:

First issue under date of June 1, 1908.

Classification of Operating Expenses of Express Companies:

First issue under date of June 1, 1908.

Classification of Operating Revenues of Express Companies:

First issue under date of June 1, 1908.

Tentative Classification of Operating Revenues and Operating Expenses for Water Lines, issued under date of May 15, 1908.

Lack of space prohibits as extensive a treatment of these publications as would seem desirable. The skeleton outline here furnished, however, when considered in connection with similar articles in the August, September and October 1909 issues of THE GOVERNMENT ACCOUNTANT, will give the reader a fairly comprehensive basis for study.

Accountants wishing copies of the complete official text of any of these classifications may obtain the same (provided the supply has not been exhausted) by addressing the Bureau of Statistics and Accounts, Interstate Commerce Commission, Washington, D. C.

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CLASSIFICATION OF OPERATING EXPENSE—

STEAM ROADS.

I. MAINTENANCE OF WAY AND STRUCTURES—

1. Superintendence.
2. Ballast.
3. Ties.
4. Rails.
5. Other Track Material.
6. Roadway and Track.
7. Removal of Snow, Sand, and Ice.
8. Tunnels.
9. Bridges, Trestles, and Culverts.
10. Over and Under Grade Crossings.
11. Grade Crossings, Fences, Cattle Guards, and Signs.
12. Snow and Sand Fences and Snowsheds.
13. Signals and Interlocking Plants.
14. Telegraph and Telephone Lines.
15. Electric Power Transmission.
16. Buildings, Fixtures, and Grounds.
17. Docks and Wharves.
18. Roadway Tools and Supplies.
19. Injuries to Persons.
20. Stationery and Printing.
21. Other Expenses.
22. Maintaining Joint Tracks, Yards, and Other Facilities—Dr.
23. Maintaining Joint Tracks, Yards, and Other Facilities—Cr.

II. MAINTENANCE OF EQUIPMENT—

24. Superintendence.
25. Steam Locomotives—Repairs.
26. Steam Locomotives—Renewals.
27. Steam Locomotives—Depreciation.
28. Electric Locomotives—Repairs.
29. Electric Locomotives—Renewals.
30. Electric Locomotives—Depreciation.
31. Passenger-train Cars—Repairs.
32. Passenger-train Cars—Renewals.
33. Passenger-train Cars—Depreciation.
34. Freight-train Cars—Repairs.
35. Freight-train Cars—Renewals.
36. Freight-train Cars—Depreciation.
37. Electric Equipment of Cars—Repairs.
38. Electric Equipment of Cars—Renewals.
39. Electric Equipment of Cars—Depreciation.
40. Floating Equipment—Repairs.

ELECTRIC RAILWAYS.

I. WAY AND STRUCTURES—

1. Superintendence of Way and Structures.
2. Ballast.
3. Ties.
4. Rails.
5. Rail Fastenings and Joints.
6. Special Work.
7. Underground Construction.
8. Roadway and Track Labor.
9. Paving.
10. Miscellaneous Roadway and Track Expenses.
11. Cleaning and Sanding Track.
12. Removal of Snow, Ice, and Sand.
13. Tunnels.
14. Elevated Structures and Foundations.
15. Bridges, Trestles, and Culverts.
16. Crossings, Fences, Cattle Guards, and Signs.
17. Signal and Interlocking Systems.
18. Telephone and Telegraph Systems.
19. Other Miscellaneous Way Expenses.
- Maintenance of Electric Lines.
20. Poles and Fixtures.
21. Underground Conduits.
22. Transmission System.
23. Distribution System.
24. Miscellaneous Electric Line Expenses.
25. Buildings and Structures.
26. Depreciation of Way and Structures.
27. Other Operations—Dr.
28. Other Operations—Cr.

II. EQUIPMENT—

29. Superintendence of Equipment.
- Maintenance of Power Equipment.
30. Power Plant Equipment.
31. Substation Equipment.
- Maintenance of Cars and Locomotives.
32. Passenger and Combination Cars.
33. Freight, Express, and Mail Cars.
34. Locomotives.
35. Service Cars.
- Maintenance of Electric Equipment of Cars and Locomotives.
36. Electric Equipment of Cars.
37. Electric Equipment of Locomotives.
- Miscellaneous Equipment Expenses.
38. Shop Machinery and Tools.
39. Shop Expenses.
40. Horses and Vehicles.
41. Other Miscellaneous Equipment Expenses.

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—ACCOUNTS OF COMMON CARRIERS.

STEAM ROADS.

II. MAINTENANCE OF EQUIPMENT—
(Continued.)

41. Floating Equipment—Renewals.
42. Floating Equipment—Depreciation.
43. Work Equipment—Repairs.
44. Work Equipment—Renewals.
45. Work Equipment—Depreciation.
46. Shop Machinery and Tools.
47. Power Plant Equipment.
48. Injuries to Persons.
49. Stationery and Printing.
50. Other Expenses.
51. Maintaining Joint Equipment at Terminals—Dr.
52. Maintaining Joint Equipment at Terminals—Cr.

ELECTRIC RAILWAYS.

II. EQUIPMENT—
(Continued.)

42. Depreciation of Equipment.
43. Other Operations—Dr.
44. Other Operations—Cr.

EXPRESS COMPANIES.

I. MAINTENANCE—

1. Superintendence.
2. Buildings, Fixtures, and Grounds.
3. Office Equipment.
4. Cars—Repairs.
5. Cars—Renewals.
6. Cars—Depreciation.
7. Horses.
8. Vehicles—Repairs.
9. Vehicles—Renewals.
10. Stable Equipment.
11. Transportation Equipment.
12. Other Expenses.
13. Maintaining Joint Facilities—Dr.
14. Maintaining Joint Facilities—Cr.

WATER LINES.

A. MAINTENANCE.

I. MAINTENANCE OF VESSELS—

1. Superintendence.
2. Repairs.
3. Other Expenses.

II. MAINTENANCE OF TERMINALS—

4. Superintendence.
5. Repairs to Docks, Wharves, Buildings, Fixtures, etc.
6. Repairs to Tugs and Lighters.
7. Other Expenses.

The Government Accountant.

CLASSIFICATION OF OPERATING EXPENSE—

STEAM ROADS.

- III. TRAFFIC EXPENSES—
 - 53. Superintendence.
 - 54. Outside Agencies.
 - 55. Advertising.
 - 56. Traffic Associations.
 - 57. Fast Freight Lines.
 - 58. Industrial and Immigration Bureaus.
 - 59. Stationery and Printing.
 - 60. Other Expenses.
- IV. TRANSPORTATION EXPENSES—
 - 61. Superintendence.
 - 62. Dispatching Trains.
 - 63. Station Employees.
 - 64. Weighing and Car-Service Associations.
 - 65. Coal and Ore Docks.
 - 66. Station Supplies and Expenses.
 - 67. Yardmasters and their Clerks.
 - 68. Yard Conductors and Brakemen.
 - 69. Yard Switch and Signal Tenders.
 - 70. Yard Supplies and Expenses.
 - 71. Yard Enginemen.
 - 72. Enginehouse Expenses — Yard.
 - 73. Fuel for Yard Locomotives.
 - 74. Water for Yard Locomotives.
 - 75. Lubricants for Yard Locomotives.
 - 76. Other Supplies for Yard Locomotives.
 - 77. Operating Joint Yards and Terminals—Dr.
 - 78. Operating Joint Yards and Terminals—Cr.
 - 79. Motormen.
 - 80. Road Enginemen.
 - 81. Enginehouse Expenses — Road.
 - 82. Fuel for Road Locomotives.
 - 83. Water for Road Locomotives.
 - 84. Lubricants for Road Locomotives.
 - 85. Other Supplies for Road Locomotives.
 - 86. Operating Power Plants.
 - 87. Purchased Power.
 - 88. Road Trainmen.
 - 89. Train Supplies and Expenses.
 - 90. Interlockers and Block and Other Signals—Operation.
 - 91. Crossing Flagmen and Gate-men.
 - 92. Drawbridge Operation.
 - 93. Clearing Wrecks.
 - 94. Telegraph and Telephone—Operation.
 - 95. Operating Floating Equipment.
 - 96. Express Service.
 - 97. Stationery and Printing.
 - 98. Other Expenses.
 - 99. Loss and Damage—Freight.
 - 100. Loss and Damage—Baggage.
 - 101. Damage to Property.
 - 102. Damage to Stock on Right of Way.
 - 103. Injuries to Persons.
 - 104. Operating Joint Tracks and Facilities—Dr.
 - 105. Operating Joint Tracks and Facilities—Cr.

ELECTRIC RAILWAYS.

- III. TRAFFIC—
 - Traffic Expenses.
 - 45. Superintendence and Solicitation.
 - 46. Advertising.
 - 47. Miscellaneous Traffic Expenses.
- IV. CONDUCTING TRANSPORTATION—
 - 48. Superintendence of Transportation.
 - GROUP I—POWER.
 - 49. Power-Plant Employees.
 - 50. Substation Employees.
 - 51. Fuel for Power.
 - Other Power Supplies and Expenses.
 - 52. Water for Power.
 - 53. Lubricants for Power.
 - 54. Miscellaneous Power-Plant Supplies and Expenses.
 - 55. Substation Supplies and Expenses.
 - 56. Power Purchased.
 - 57. Power Exchanged—Balance.
 - 58. Other Operations—Dr.
 - 59. Other Operations—Cr.
 - GROUP II—OPERATION OF CARS.
 - Conductors, Motormen, and Trainmen.
 - 60. Passenger Conductors, Motormen, and Trainmen.
 - 61. Freight and Express Conductors, Motormen, and Trainmen.
 - Miscellaneous Transportation Expenses.
 - Miscellaneous Car-Service Employees and Expenses.
 - 62. Miscellaneous Car-Service Employees.
 - 63. Miscellaneous Car-Service Expenses.
 - Station Employees and Expenses.
 - 64. Station Employees.
 - 65. Station Expenses.
 - Carhouse Employees and Expenses.
 - 66. Carhouse Employees.
 - 67. Carhouse Expenses.
 - Operation of Signal and Interlocking Systems.
 - Operation of Telephone and Telegraph Systems.
 - Express and Freight Collections and Delivery.
 - Loss and Damage.
 - Other Transportation Expenses.

The Government Accountant.

—ACCOUNTS OF COMMON CARRIERS.

EXPRESS COMPANIES.

II. TRAFFIC EXPENSES—

15. Superintendence.
16. Outside Agencies.
17. Advertising.
18. Traffic Associations.
19. Stationery and Printing.
20. Other Expenses.

III. TRANSPORTATION EXPENSES—

21. Superintendence.
22. Office Employees.
23. Commissions.
24. Wagon Employees.
25. Office Supplies and Expenses.
26. Rent of Local Offices.
27. Stable Employees.
28. Stable Supplies and Expenses.
29. Train Employees.
30. Train Supplies and Expenses.
31. Transfer Employees.
32. Transfer Expenses.
33. Stationery and Printing.
34. Loss and Damage—Freight.
35. Loss and Damage—Money.
36. Damage to Property.
37. Injury to Persons.
38. Other Expenses
39. Operating Joint Facilities—
Dr.
40. Operating Joint Facilities—
Cr.

WATER LINES.

B. TRAFFIC EXPENSES.

8. Superintendence.
9. Outside Agencies.
10. Fast Freight Lines.
11. Traffic Associations.
12. Advertising.
13. Stationery and Printing.
14. Other Expenses.

C. TRANSPORTATION EXPENSES.

I. OPERATION OF VESSELS—

15. Superintendence.
16. Wages.
17. Fuel.
18. Lubrication.
19. Food Supplies.
20. Other Supplies and Department Expenses.
21. Bar Supplies.
22. Charter of Vessels.
23. Other Expenses.

II. OPERATION OF TERMINALS—

24. Superintendence.
25. Salaries of Agents, Clerks, and Attendants.
26. Agency Office Expenses.
27. Stationery and Printing.
28. Stevedore and Wharf Labor.
29. Tugs and Lighters.
30. Switching, Lighterage, and other Transfers.
31. Light, Heat, Power, and Water.
32. Wharf Expenses and Supplies.
33. Rent of Wharves and Terminal Property.
34. Other Expenses.

III. INCIDENTAL TRANSPORTATION EXPENSES—

35. Loss and Damage—Freight.
36. Loss and Damage—Baggage.
37. Damage to Property.
38. Injury to Persons.

The Government Accountant.

CLASSIFICATION OF OPERATING EXPENSE—

STEAM ROADS.

V. GENERAL EXPENSES—

106. Sal. and Exp. of General Officers.
107. Sal and Exp. of Clerks and Attendants.
108. Gen. Office Supplies and Expenses.
109. Law Expenses.
110. Insurance.
111. Relief Dept. Expenses.
112. Pensions.
113. Stationery and Printing.
114. Other Expenses.
115. Gen. Adm. Joint Facilities—Dr.
116. Gen. Adm. Joint Facilities—Cr.

ELECTRIC ROADS.

IV. GENERAL AND MISCELLANEOUS—

73. Sal. and Exp. of General Officers.
74. Sal. and Exp. of General Office Clerks.
75. Gen. Off. Supplies and Exp.
76. Law Expenses.
77. Relief Dept. Expenses
78. Pensions.
79. Misc. Gen. Expenses.
80. Other Operations—Dr.
81. Other Operations—Cr.

UNDISTRIBUTED ACCOUNTS*

82. Injuries and Damages.
83. Insurance.
84. Stationery and Printing.
85. Store Expenses.
86. Stable Expenses.
87. Rent of Tracks and Terminals.
88. Rent of Equipment.

CLASSIFICATION OF OPERATING REVENUE—

STEAM ROADS.

I. REVENUE FROM TRANSPORTATION—

1. Freight Rev.
2. Passenger Rev.
3. Excess Baggage Rev.
4. Parlor and Chair Car Rev.
5. Mail Rev.
6. Express Rev.
7. Milk Rev. on Pass. Trains.
8. Other Pass. Train Rev.
9. Switching Rev.
10. Special Service Train Rev.
11. Misc. Transp. Rev.

II. REVENUE FROM OPERATIONS OTHER THAN TRANSPORTATION—

12. Station and Train Privileges.
13. Parcel Room Receipts.
14. Storage—Freight.
15. Storage—Baggage.
16. Car Service.
17. Telegraph and Telephone Service.
18. Rents of Bldgs. and Other Property.
19. Miscellaneous.
20. Joint Facilities Revenue—Dr.
21. Joint Facilities Revenue—Cr.

ELECTRIC ROADS.

I. REVENUE FROM TRANSPORTATION—

1. Passenger Rev.
2. Baggage Rev.
3. Parlor, Chair and Special Car Rev.
4. Mail Rev.
5. Express Rev.
6. Milk Rev.
7. Freight Rev.
8. Switching Rev.
9. Misc. Transp. Rev.

II. REVENUE FROM OPERATIONS OTHER THAN TRANSPORTATION—

10. Station and Car Privileges.
11. Parcel Room Receipts.
12. Storage.
13. Car Service.
14. Telegraph and Telephone Service.
15. Rents of Tracks and Terminals.
16. Rents of Equipment.
17. Rents of Bldgs. and Other Property.
18. Power.
19. Miscellaneous.

*Carriers are at liberty to distribute these items, but all reports to the Commission must agree with accounts which are prepared.

The Government Accountant.

—ACCOUNTS OF COMMON CARRIERS.

EXPRESS COMPANIES.

IV. GENERAL EXPENSES—

41. Sal. and Exp. of General Officers.
42. Sal. and Exp. of Clerks and Attendants.
43. Gen. Office Supplies and Expenses.
44. Law Expense.
45. Insurance.
46. Pensions.
47. Stationery and Printing.
48. Other Expenses.
49. Gen. Adm. Joint Facilities—
—Dr.
50. Gen. Adm. Joint Facilities—
—Cr.

WATER LINES.

II. GENERAL EXPENSES—

39. Salaries—Gen. Officers.
40. Salaries—Clerks and Attendants.
41. Gen. Office Supplies and Expenses.
42. Law Expenses.
43. Insurance.
44. Pension and Relief Dept. Expense.
45. Stationery and Printing.
46. Other Expenses.

—ACCOUNTS OF COMMON CARRIERS.

EXPRESS COMPANIES.

I. REVENUE FROM TRANSPORTATION—

1. Express Revenue.
2. Misc. Transportation Rev.

II. REVENUE FROM OPERATIONS OTHER THAN TRANSPORTATION—

3. Customhouse Brokerage Fees.
 4. Order and Commission Dept.
 5. Rents of Bldgs. and Other Property.
 6. Money orders—Domestic.
 7. Money orders—Foreign.
 8. Travelers' Checks—Domestic.
 9. Travelers' Checks—Foreign.
 10. C. O. D. Checks.
 11. Telegraph and Transfer.
 12. Letters of Credit.
 13. Other Rev.—Financial Dept.
 14. Misc. Rev.
- EXPRESS PRIVILEGES—Dr.

WATER LINES.

1. FREIGHT REVENUE.

2. PASSENGER REVENUE.

- (a) Pass. Transportation, incl. Berth and Meals.
 - (b) Pass. Transportation, excl. Berth and Meals.
 - (c) Rent of Sleeping and Living Accommodations.
 - (d) Sale of Meat and Food Supplies.
 - (e) Excess Baggage Collections.
 - (f) Sale of Wines, Liquors, Beers, etc.
 - (g) News-stand Revenues.
- ##### 3. OTHER TRANSPORTATION REVENUE.
- (a) Mail.
 - (b) Express.
 - (c) Miscellaneous.
- ##### 4. REVENUE FROM OPERATION OTHER THAN TRANSPORTATION.

The Government Accountant

P. O. Box 27, Main Office.
WASHINGTON, D. C.

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Editor.

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Associate Editor.

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Associate Editor.

DECEMBER 27, 1909.

Progress in Municipal Financial Reports.

An examination of the recent financial reports of any group of American cities, and a comparison of such reports with similar publications of the same cities ten or more years ago, gives evidence of progress, not alone in the form of municipal reports, but in the application of better accounting methods. These financial reports are of two distinct classes, which are here spoken of as "auditors" and "treasurers'" reports. The first are the reports of the officers who draw warrants on the treasury. In most cities, these officers are called either "auditors" or "comptrollers;" but in some they are designated as "city clerks." The "treasurers'" reports are always exhibits of the receipts and disbursements of money, and are those of officers known in the United States as "treasurers," "chamberlains," "bursers," or by other similar designations. The progress referred to in the opening of this paragraph is, in some cities, wholly reflected in the development of the accounts and reports of the "auditors," and in others in those of the "treasurers," and in a third class of cities it is found in both types of reports.

The financial reports of four cities—two large and two small—are lying on the writer's desk at the present time, and a hasty examination of them gives rise to the judgment embodied in the preceding paragraph. The cities are Cambridge, Mass., Charleston, S. C., Middletown, N. Y., and Montclair, N. J. The value of these and similar reports is to be found in the administrative assistance which they render the various heads of departments in the cities for which they are made, and the knowledge which they afford the citizens and students of municipal affairs with reference to the relative and actual cost of maintaining the various governmental functions. Taken as a whole, the "auditors'" reports of our cities are from the standpoints mentioned more valuable than those of the "treasurers;" but in some cities the "treasurers" seem to be the more

The Government Accountant.

progressive officials, and have introduced accounts which enable them to publish the more elucidating reports. The situation last described seems, from the reports at hand, to prevail in Montclair and Charleston; while the opposite condition of affairs exists in Cambridge and Middletown.

The treasurer of Montclair presents an analysis of receipts and disbursements which places him in the list of city officials with faces set in the right direction. His report classifies receipts under three heads, according to the authorization for their collection, as follows: "Revenue accounts of prior years," "Revenue accounts of current year," and "Other sources." The report further arranges the amounts reported under the three heads mentioned opposite 45 subheads, some portion of which, like "Taxes," "Excise licenses," "Special assessments," "Interest," "Bills payable," "Certificates of indebtedness," and "Title searches," fully disclose the economic character of the receipts; while others, such as "Police Department," "Fire Department," etc., record the office through which the receipts are collected, but not their character, or the services for which they are collected.

The classification of receipts by the Montclair treasurer cannot, therefore, be called ideal or scientific. It is rather a first good attempt to apply correct ideas to the classification of governmental receipts. It has, therefore, much less to commend it to the administrative official, the economic student, or the average taxpayer, than the more complete classification of receipts to be found in the treasurer's report of Charleston and the auditors' reports of Cambridge and Middletown. These reports present detailed statements of all receipts, classified not only into revenue and non-revenue, but also by source or character, and, in the case of departmental receipts, also classified by department receiving. Emphasis is given in the reports of these three cities to the classification by source or character, the several items being arranged and grouped so as to bring out those facts concerning municipal receipts, which are considered important by students of public finance. These three reports make use of substantially the same system of classification, but differ somewhat in the methods of presentation, as is required in part by the difference in the volume of business of the cities for which they are prepared. The method of presentation also reflects the different applications of the printer's art, or the taste of the statistician in presenting common facts.

The foregoing remarks can be applied with almost equal correctness to the classification of payments recorded in the four reports above referred to. The Montclair treasurer has embodied in his report the fundamental principles of the scientific classification of payments applicable to all cities as the basis of uniform scientific accounting. The treasurer of

The Government Accountant.

Charleston, the auditor of Cambridge, and the city clerk of Middletown make use of a more or less common classification that exhibits the cost of functional activities far more perfectly than does the classification employed in Montclair. Montclair includes 10 per cent of its current operating expenses under the head of "Incidentals;" while the percentage of such expenses included under the same or similar titles in the other three cities is insignificant. The Montclair report includes under this head ("Incidentals") some of the expenses of roads and sewers, all the expenses of city attorneys, many of the costs of collecting and assessing taxes, and all of the costs of general city government. It presents an imperfect statement of the costs of some departments, and fails to show the cost of others. These defects are found to only a very limited degree in the other reports, which, by more perfect classification of payments, are thus made more valuable to all who have occasion to use them.

The better classification of payments employed by the officials mentioned in Middletown, Charleston, and Cambridge is reflected in the better arrangement of the budget for current expenditures than that employed at Montclair, and also in the detailed statement of the expenditures made in accordance with appropriations, as well as the summary of appropriations and expenditures. The reports of the city clerk for Middletown, the auditor for Cambridge, and the treasurer of Charleston are all well worth the careful study of officials interested in improving their accounts and the published statements of the costs of their government, as well as of the transactions and condition of governmental funds and the value of governmental properties and the liabilities of municipalities.

Association of American Government Accountants

Organized November 14, 1906

Post Office Box 27, Main Office, Washington

APPLICATIONS FOR MEMBERSHIP.

All applications by mail, for enrollment as Active, Associate or Affiliated Member should be addressed to the Secretary, P. O. Box 27, Main Office, Washington, D. C., for transmission to the respective committees.

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Association Notes.

The following applications were passed by the Board of Trustees of the Association of American Government Accountants at a meeting held December 1, 1909:

Active Membership.

F. H. Cosgrove, Deputy City Comptroller, Omaha, Neb.

Arnold C. Hansen, Examiner, Bureau of Statistics and Accounts, Interstate Commerce Commission.

Associate Membership.

Lorin C. Powers, Bureau of Municipal Research, Philadelphia, Pa.

H. A. Marvin, Accountant, Kensington Chambers, Cambridge, Mass.

PUBLIC MEETINGS.

The Association of American Government Accountants is scheduled to meet at the hall of the Public Library, 8th and K Streets, N. W., Washington, D. C., on the first and third Monday in December, 1909, January, February, March and April, 1910.

JANUARY 17, 1910.

Mr. A. R. Foote, president of the Ohio State Board of Commerce, will speak on STANDARD AND UNIFORM METHODS OF ACCOUNTING.

Association of American Government Accountants

Organized November 14, 1906.

Post Office Box 27, Main Office, Washington, D. C.

OFFICERS AND COMMITTEES.

Elected at the annual meeting held May 27, 1909, to serve for one year.

Officers.

Le Grand Powers, President. (Bureau of the Census.)
Alonzo Tweedale, Vice President. (Municipal Building, D. C.)
James L. Wilmeth, Treasurer. (Treasury Department.)
E. S. Hobbs, Secretary. (Interstate Commerce Commission.)

Standing Committees.

The Chairmen of these committees are Trustees, and together with the officers form the Board of Trustees.

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J. P. Muller, Chairman. (Interstate Commerce Commission.)

Finance.

Theo. L. De Land, Chairman. (Treasury Department.)

Membership.

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Lectures and Meetings.

Alonzo Tweedale, Auditor for the District of Columbia.

Library.

Samuel J. Barclay, Chairman. (Interstate Commerce Commission.)

Education.

Noble Newport Potts, Chairman. (Department of Commerce and Labor.)

OBJECTS OF THIS ORGANIZATION:

1. To unite in one organization employes of the Federal, State and Territorial Governments of the United States of America, and of the District of Columbia, including Municipal Officers and employes of City Governments having control of or participation in accounting, including the subjects of appointment, purchase, and issue or sale, collecting and disbursing, examining and auditing, bookkeeping, statistical and actuarial subjects.

2. To encourage and facilitate the adoption of economical, expeditious, progressive, and uniform methods in handling the accounting features of the fiscal operations of the Government.

3. To provide means for the technical education and independent study of its members.

First. By promoting and encouraging the study and discussion of questions of advanced and practical accounting and adaptations and improvement of methods.

Second. By originating and disseminating original essays and papers concerning the theory, law, and practice of accounting, and encouraging the expression of individual opinion on controverted points.

Third. By providing occasional addresses on particular features of accounting, either governmental or commercial, by persons outside the Association having expert technical knowledge and experience.

Fourth. By providing a library and a catalogue of the works on accounting and kindred subjects at present available in various local libraries.

Fifth. By advocating systematic instruction in accounting and administration in schools and colleges.

MEMBERSHIP:

The membership of this Association shall consist of three classes, Associate, Active, and Affiliated.

1. Associate Members: All Government employes whose titles or duties are those of accountant, actuary, auditor, statistician, bookkeeper, cashier, chief of division of accounts, comptroller, disbursing officer, examiner, inspector, law clerk, or purchasing agent, and generally all those having to do with the initiation, approval, settlement, audit, and record of fiscal transactions, as well as the Government Examiners for Banking, Insurance, Transportation or Public Service Corporations, are eligible for associate membership in the Association.

2. Active Members: Such persons as shall have been satisfactorily tested as to their qualifications shall become eligible for active membership in this Association.

3. Affiliated Members: Such persons as are, or may have been, in the Government service, and are actively interested in the subject of accounting, and whose attainments in that line are such as to merit such recognition, are eligible for affiliated membership in this association.

National Association of Comptrollers and Accounting Officers

Organized February 14, 1906

Office of the Secretary, 280 Broadway, N. Y., Rooms 155-157

OFFICERS, 1909-1910.

**Alonzo Tweedale, President, Auditor District of Columbia,
Washington, D. C.**

**Howard C. Beck, First Vice-President, Public Accountant,
Detroit, Mich.**

**Richard M. Chapman, Secretary, Certified Public Accountant,
Department of Finance, New York City.**

S. M. Wilhite, Treasurer, Comptroller, Louisville, Ky.

VICE-PRESIDENTS, 1909-1910.

Frederick W. Carey, Auditor, Sacramento, Cal.

William McK. Evans, Accountant, Richmond, Va.

W. S. McCormick, Comptroller, Duluth, Minn.

J. H. Hansbrough, Comptroller, Tampa, Fla.

C. O. Lobeck, Comptroller, Omaha, Neb.

Edward E. Phelps, Chief Accountant, Pittsburg, Pa.

Edward Stetson Griffing, Comptroller, New Rochelle, N. Y.

OBJECTS OF THE ASSOCIATION:

"The consideration of improved methods of public finance and the extension of the movement for the installation of a uniform system of State and municipal accounting and reporting throughout the United States, and the promotion of legislation towards these ends."

MEMBERSHIP QUALIFICATIONS.

"All comptrollers, auditors or other accounting or fiscal officers of cities, counties and States in the United States shall be eligible to membership in the Association. Accountants regularly engaged in State and municipal accounting shall also be eligible to membership."

"Each member shall be entitled to a copy of the bound volume of the proceedings of the annual or other conventions of the Association, and to all bulletins or other special publications issued by the Association for the information and benefit of its members."

The cost of membership in the Association is Ten Dollars per annum.

Accountants' Association of the Interstate Commerce Commission

Organized May 5, 1908

1311 G Street N. W., Washington, D. C.

OFFICERS AND COMMITTEES.

Elected at the annual meeting held April 12, 1909, to serve for one year.

OFFICERS.

Fred W. Sweeney, President.
Russell H. Snead, Vice-President.
Arnold C. Hansen, Secretary.
Edward D. Myers, Assistant Secretary.
Walter V. Wilson, Treasurer.
Charles V. Burnside, Assistant Treasurer.

STANDING COMMITTEES.

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Walter E. Burleigh. W. C. Sanford.

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David E. Brown, Chairman. August G. Gutheim.
John Cruickshank. Gaston C. Hand.

Entertainment.

S. L. Lupton, Chairman.
Lewis A. Bell. William P. Bird.
C. V. Conover. Frank M. Swacker.

OBJECT:

The object of this Association shall be the discussion of topics of common interest, the promotion of efficiency and sociability among members and such other objects as may be approved by the Interstate Commerce Commission.

MEMBERSHIP:

The active membership of this Association shall be confined to Examiners, or other persons of a grade equivalent to Examiners, who are employed in the Bureau of Statistics and Accounts.

Any employee of the Interstate Commerce Commission may be elected to honorary membership.

Association of Government Disbursing Officers

GEORGE W. EVANS, President

SCOTT NESBIT, Secretary-Treasurer

Address all communications to the Secretary-Treasurer, in care of Coast and Geodetic Survey, Department of Commerce and Labor, Washington, D. C.

OBJECT:

The object of this organization is to increase and better enjoy social relationship between the members and by mutual help or advise to improve the efficiency of the individual as a responsible officer of the United States Government.

MEMBERSHIP QUALIFICATIONS

Any bonded officer of the United States Government whose annual disbursements reach or exceed One Hundred Thousand Dollars is eligible to membership.

U. S. Civil Service Retirement Association

P. O. Box 37, Washington, D. C.

OFFICERS:

M. F. O'Donoghue,	R. Stone Jackson, Treasurer.
President.	George W. Leadley,
Llewellyn Jordan, Secretary.	First Vice-President.
S. E. Faunce,	Jennie L. Munroe,
Second Vice-President.	Third Vice-President.

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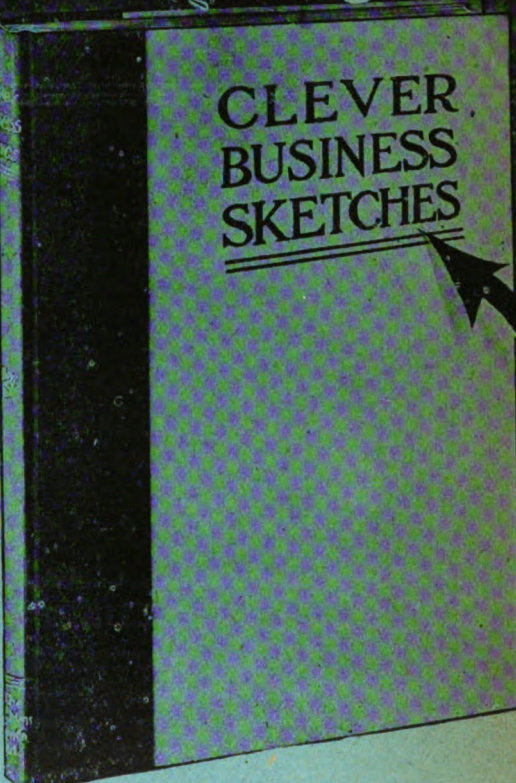
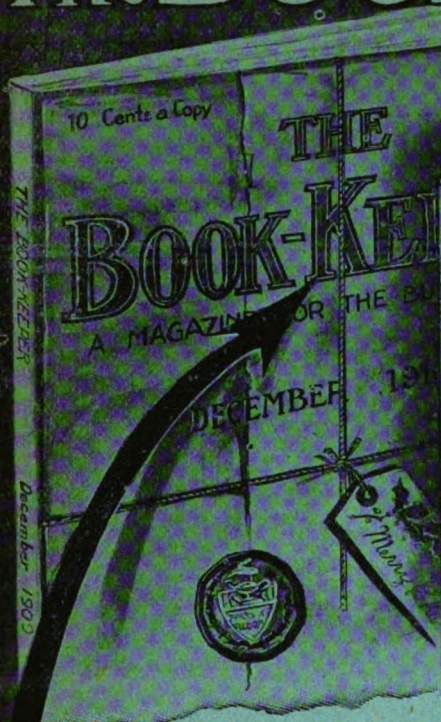
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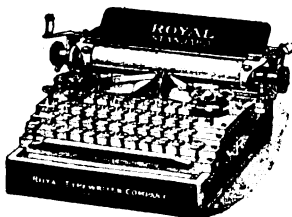
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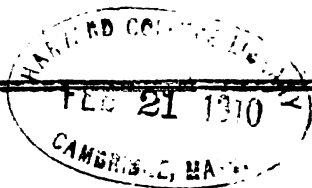
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(PART VI)

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Advanced Accounting Methods of the
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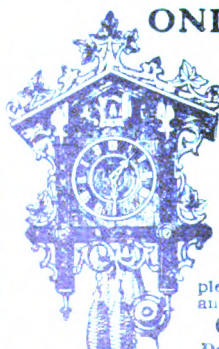
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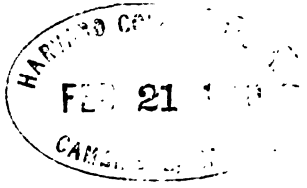
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No. 9

Uniform Standards and Methods of Accounting A Fundamental Necessity.

By ALLEN RIPLEY FOOTE, President, Ohio State Board of Commerce; President,
International Tax Association.

(An address before the Association of American Government Accountants.)

TOPICS.

Standards.
Purpose of Accounting.
Purpose of Government.
Development of an Exact Science of Government.
Uniform Accounting Systems for all Governments of the
Same Class.
Effective Economic Regulation.
Public Policies Must be Governed by Facts.
An Accounting Should be Required from the Beneficiaries
of all Special Privileges.
Ship Subsidy.
Protective Tariff.
Scientific Accounting and the Budget System.
A New Co-ordinate Branch of Government Needed.
Conclusion.

STANDARDS.

Standards are clearly defined and universally accepted measures by which the rightness of moral, economic and political thoughts and actions may be determined. A standard meaning for words is necessary to render language intelligible. Standard weights and measures are necessary to ren-

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der the production and exchange of commodities possible. A standard unit of value is an indispensable basis for the development of denominational currency and a system of accounting expressed in terms of money.

Such standards have been defined and accepted for so long a time it is difficult to form an adequate conception of the conditions of human life at a period when they were unknown, or when argument was needed to demonstrate their utility. Appreciation of the utility and value of such standards should inspire an intense desire to add to their number whenever new standards are found necessary to formulate human experience into concrete statements of facts scientifically determined.

Those who developed mathematics into an exact science rendered a service to humanity of such transcendent importance it may be thought none other can be equal to it, but the day will come when those who aid in standardizing the units and methods of accounting so as to make it possible to formulate experience into concrete statements of facts scientifically determined will be recognized as having rendered a service second to none other in value. Accounting can be developed into an exact science only by standardizing comparable units of efficiency and methods of record keeping.

Through the exact science of mathematics and the exact science of accounting an exact science of Government can be developed.

PURPOSE OF ACCOUNTING.

In private business the purpose of accounting has advanced from a mere record of exchanges between buyers and sellers to an analysis of infinite detail to show the true effect upon general results of every economic factor involved, and also the effect of every phase of the adopted business policy. Units of efficiency are standardized to render efficiency comparisons possible. Success in the management of business undertakings is best promoted through the aid of accurate and scientific accounting.

Accounting in public business was originally intended simply to show the honesty of public officials and employes. Lacking the incentive of achieving success under conditions of keen competition, public accounting and methods of handling all business details has not made as great an advance toward the creation of uniform standards and methods as has been made in private business. In recent years, however, the fact that the government cannot perform its duties in a satisfactory manner without employing standards of efficiency and scientific methods of accounting has been continually growing clearer until it is about to receive universal recognition and

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acceptance. It is beginning to be understood that the helpfulness of government can be best shown by the effects of its policies upon the common good demonstrated by scientifically stated facts.

The efficiency of the government involves the management of its various departments as working organizations and the effects of its regulations on the morals and business of the people governed.

Honest accounting may be so done as to be entirely worthless in demonstrating economic efficiency. The accounting system of the great departments of the government may be done in a manner that will show an honest record for every dollar received and expended without giving any clue to economic facts of equal importance showing the comparative efficiency of their administration.

The day is approaching when the people will demand that their government shall not only show how much money it has received and expended, but also an accounting for all public property which shall demonstrate that its administration has been conducted with a due regard for economic efficiency.

The day will come when the people will limit the power of their government to collect revenue from them, by whatever means to an amount not greater than is required for the effective performance of its duties when economically administered.

The day has come when the demand is made that the accounts of all public business shall be analyzed in sufficient detail to show the true effect upon the common good of every economic factor involved, and also the effect of every phase of the adopted public policies. That this may be done, units of efficiency must be standardized and uniform methods of accounting must be developed that will render comparative statements possible.

The function of government possessing the greatest power for good is its ability and duty to formulate human experience into concrete statements of facts scientifically determined.

This is the master key that will open the way for progress to a better civilization.

PURPOSE OF GOVERNMENT.

Business accounting is rapidly being developed into an exact science that can be depended upon to guide energy to the achievement of the object of the enterprise—money making.

Public accounting needs to be developed into an exact science that can be depended upon to guide public policies to

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the achievement of the purpose of government—the promotion of the common good.

The people of this country are now engaged in the task of demonstrating to the world that their form and system of government is the best ever devised for the promotion of the common good. This affirmation can be established as a fact only by proving that under its administration each of its citizens is guaranteed equal opportunity to the enjoyment of life, liberty and the pursuit of happiness, so far as such equality can be promoted by legislative exactments and governmental administration. To make this guarantee effective, it must be made certain that no person shall, in the exercise of rights so secured to him, infringe upon the similar rights of any other person. This requires the fulfilment of moral and economic law and the realization of the requirements of justice in the conduct of every citizen.

DEVELOPMENT OF AN EXACT SCIENCE OF GOVERNMENT.

The development of an exact science of government will become possible only when the exact science of accounting has made effective economic regulation a realized fact.

Progress in this direction has been retarded because the policies of government have been determined by considerations of political expediency rather than by the requirement of true moral and economic principles.

Relative business efficiency is at once determined by recognized standards of commercial success. At the present time we have no recognized standards of governmental success by which relative efficiency in public service can be determined or the relative efficiency of governments can be established. Such standards are necessary to supply an incentive to achieve success in the policies and administration of government, which will be equivalent to the incentive of achieving commercial success which inspires all efforts to make improvements in the management of private business.

One penalty for permitting governmental policies to be determined by political expediency is being paid by the slow improvement made in the effective management of public business, and the retarded advance toward the creation of uniform standards of efficiency and methods of scientific accounting everywhere shown in the administration of public affairs.

We need service records that will show the relative efficiency of every public employee, however and whenever employed, by a school district, a township, a village, a city, a county, a State, or the Federal Government. The existence of such records will enable every employee to demonstrate his worth to his employers—the people—and to the dispensers of political patronage. Such records will develop a public opin-

ion that will enable every public employee to hold his position and to win promotion by virtue of his own merit unaided by favoritism of any kind.

Such records will establish the rule of filling all positions in the public service, above initial primary grades, by promotions from a lower to a higher grade determined by merit, and by merit alone. Such records will destroy the vicious principles of "rotation in office" and "to the victors belong the spoils," by demonstrating to the people the wisdom of retaining elective officials in office, and of promoting them, as long and as far as their devotion to the common good will justify.

An exact science of government, if developed at all, must be developed by those who devote their lives to the study of governmental efficiency; to formulating correct standards; to the improvement of accounting methods; to the development of functions; to the regulation of activities; to the unerring determination of justice, guided thereto by facts with which they become familiar through the services they render.

When civil public service is recognized and dealt with as a profession it will attract persons endowed with a high degree of brain efficiency and inspired with true patriotism who will make as honorable records in their respective spheres of duty as have ever been made by "the men behind the guns" or by their commanders. Such men, secure in their positions and performing their duties under a system of civil administration, at least as well devised for its purpose as the system of military and naval administration, will develop models of efficiency out of the inefficient school district, township, village, city, county, State and Federal Governments now existing. When this is done an exact science of government can be established.

**UNIFORM ACCOUNTING SYSTEMS FOR ALL GOVERNMENTS OF THE
SAME CLASS.**

Efficiency can be shown only by comparison. It may be indicated in private and in public business by comparisons of the records of one year with another. The value of such comparison will grow as the experience of year after year is added. But the real test of efficiency will be found in comparisons of experience between all governments of the same class rather than in comparisons of the experience of the same governments for one year with that of other years. That such comparisons may be scientifically made, the accounts of all governments of the same class must be kept by a uniform system. From such accounts only can comparable statistics be obtained.

The effective administration of governments requires specializing the work into departments. The system of accounting should be devised to cause each department to make an efficiency record comparable with the similar records of all

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other departments, and to permit a grouping of the statistics of each government in statements comparable with the similar statistics of all other governments of the same class. When this is done those who make civil service a profession, and those who study civic problems as a scientific or a patriotic duty, will be guided by the recorded facts of experience, which will render their conclusions a safe basis for public action.

Comparable statistics derived from uniform systems of accounting are to governments what correct service records are to public employees in establishing relative efficiency, in demonstrating true merit. It is much to the employees and officials of a school district to have the people of their districts believe they have administered the duties of their public trust efficiently and well, but it is infinitely more to them to have the people of their district *know* this has been done because the *fact* has been established by comparison with the administration of every school district in the State. This statement is true with cumulative emphasis, as the affairs of government grow in magnitude, for the employees, officials and people of townships, villages, cities, counties, States and National governments.

This fact is beginning to be understood and appreciated. One item may be quoted to illustrate this point, taken from the *New York Evening Post* for January 5, 1910:

"Chicago, January 4.

"Elton Lower, president of the Civil Service Commission, appeared before the City Council Finance Committee yesterday with a request for an appropriation of \$50,000 to carry out a new efficiency plan which would result in an annual saving of \$300,000, in the opinion of Alderman B. W. Snow, chairman of the Finance Committee.

"Mr. Lower's plan, which has the approval of the Civil Service Reform Association, contemplates the establishment of a bureau of experts to keep a constant record of the efficiency of municipal employees, to investigate and examine, and in general to carry out the provisions of the city civil service act.

"It aims, in a few words, to apply to the municipal service what has been tried and found successful in large corporations. Boston, New York and Washington, it is said, have long been figuring on such a scheme as Mr. Lower has proposed."

The grouping of accounts should be devised to bring into full view and correct relation every item and factor necessary to show true conditions and to establish relative efficiency.

Fundamentally, it is the business of every government to show the care and thrift with which it preserves, maintains, improves and uses government property of every sort and kind. Dollars invested in property or supplies should be looked after and accounted for with as much accuracy as dollars invested in current funds. This is a sadly neglected field of investigation.

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When rightly investigated and the wastage of negligence and unthrift have been corrected, the fact that wastage of public property and supplies is an important factor in the increased cost of government will be clearly demonstrated.

Next in order is the development of all sources of revenue. Such sources should be classified properly to show the contribution made to the public treasury by every vocation, industry or business. Such accounts will show the diligence of public officials in collecting all that is lawfully due to the government from the taxpayers in each class and the care with which they look after the small change that should come into the treasury by means of fees, fines, and dues of every class, and salvage from the sale of wornout or discarded machinery, tools, furniture and waste material of every kind. It is not a violent assertion to state that the loss caused by lack of efficiency in these respects is a far heavier burden on taxpayers than all losses caused by dishonesty. The negative graft caused by failure to collect what is due to the government is far greater than the positive graft caused by failure to account properly for all money collected.

The lack of a comprehensive appreciation of all that is included in the exact science of accounting is shown by the fact that popular thought is almost wholly centered upon honest accounting for *all money received*. It seldom looks after the efficient collections of *all money that should be secured*. It has never grasped the fact that effective thrift in expenditure is more important than honesty in expenditure, because losses caused by incompetency and wastefulness are enormously greater than losses caused by dishonesty. *It is as important to show what becomes of things bought with money received as it is to show how money received has been expended.*

EFFECTIVE ECONOMIC REGULATION.

There can be no effective economic regulation without scientific accounting. This is true of all regulation. It applies with equal force to the regulation of private affairs by the person interested; to the regulation of partnership affairs by the partners interested; to the regulation of corporate affairs by the shareholders interested; and to the regulation of public affairs by members of legislative bodies and by the public officials in the departments of administration and justice.

There can be no scientific accounting without a grouping of items that will correctly show the relation to each other of every essential economic factor in all statements showing costs of living, costs of products, costs of services and costs of government, whether rendered by a person, a partnership, a corporation or a government. Such an analytic grouping is especially needed in public accounting.

It is the function of associations devoted to scientific study to formulate statements of economic principles and analytic

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groupings of the items of accounts designed to bring into view and show the correct value of every economic factor involved. By so doing they can erect scientific standards for the guidance of the people. In this way, and in this way only, can a correctly informed public opinion be created that will require public regulations and public policies to conform with scientific economic standards.

Effective economic regulations cannot be formulated or enforced without the guidance of scientific economic standards. The requirements of such standards must be recognized in all regulations required by law. Attempts to make such standards conform to the requirements of law will destroy them.

PUBLIC POLICIES MUST BE GUIDED BY FACTS.

The conduct of a person, partnership, corporation, or municipal body; of a school district, township, village, city, county, State or of the Federal Government, when guided without the information that can be derived only from a scientific system of accounting, is necessarily guided by guessing, prejudice and superstition. The science of accounting is to the government of the person, and of every combination of persons for private or public purposes, what the science of navigation is to ocean travel. It must be depended upon to guide action to the desired objective point. A correct observation of an untrue compass, or an unintelligent observation of a true compass must inevitably cause an error in direction.

All theories as to a proper course must submit to the arbitration of facts. Tested by ascertained facts, all theories must stand or fall. Those who honestly advocate and those who honestly oppose a policy should vie with each other in requiring that scientific and uniform standards and methods of accounting shall be employed for its administration. A knowledge of facts is necessary for the rendering of just judgments. Scientific and uniform standards and methods of accounting are fundamentally necessary for the demonstration of facts. Charges of dishonesty or incompetency are more frequently based on the results of a policy guided by unintelligent accounting than upon dishonest entries showing receipts or disbursements. Losses caused by ignorance are enormously greater than losses caused by dishonesty. Scientific accounting safeguards honesty. It tends to prevent dishonesty.

Honesty and intelligence must be combined to eliminate errors voluntarily or unintelligently made. When errors are eliminated, all records will tell the truth; all personal conduct will be right; all policies will be sound; the prosperity of the people will rest upon a foundation as enduring as the laws of nature that govern the fruitage of the earth.

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AN ACCOUNTING SHOULD BE REQUIRED FROM THE BENEFICIARIES OF SPECIAL PRIVILEGES.

Whenever a government grants a special privilege, a due regard for the common good demands that an accounting be required from the beneficiary of the privilege that will clearly show all of the economic results of its administration. Without the information that can be derived only from a scientific system of accounting a government is powerless to regulate intelligently the administration of any privilege it may grant. It is fundamentally necessary that it shall be a settled principle of public policy that every grant of a special privilege shall provide that the beneficiaries of the privilege shall keep the accounts of its administration as public accounts, in form prescribed by the government, and that they shall be audited annually by a certified public accountant. When the exercise of a privilege involves the supplying of a service to the public, the grant should provide that charges shall not be higher than is necessary to produce an annual income sufficient to pay all costs of ownership and operation and a reasonable profit for the compensation of owners and managers. This is a fundamental basis for the intelligent regulation of all public service utilities. When regulated on this basis, every public service utility will become, as the grant of the privilege designated it should be, an important factor in the development of the common good.

SHIP SUBSIDY.

An intelligent application of this proposition to the policy of subsidizing ocean steamship lines will settle that question in a way that will effectually establish our merchant marine wherever government aid is required for the accomplishment of such a purpose. The bill should provide that every beneficiary of a subsidy authorized by the act shall operate his ships between ports on a sailing schedule and that all charges for services of every kind shall be according to rate schedules approved by the government. The bill should also provide that all accounts of the beneficiary pertaining to the operation of the service shall be kept as public accounts, in form prescribed by the government, and shall be audited annually by a certified public accountant, and that the subsidy shall be an amount which, in addition to all income derived from operation, is sufficient to pay a reasonable dividend upon the capital necessarily employed, with a flexible differential based on percentage of increase in business from year to year.

These provisions will secure the establishment of lines between ports where the promotion of commerce is desirable. It will supply the two most important factors in the development of commerce, regularity of service and low transporta-

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tion charges. They will enable the government to deliberately fix sailing dates and rates of charges, in order to promote commerce, that will not produce sufficient income to pay dividends, permitting dividends to be paid out of the subsidy until such time as an increased volume of business may render a subsidy unnecessary. The development of commerce is the true objective point, not the building or sailing of ships. When a sufficient volume of commerce has been established, the ships it requires will be built and navigated without the aid of a subsidy.

To grant a subsidy without providing for governmental control over the ports between which the ships are to sail, their sailing dates, the charges for their service, the accounting of their operation and the dividends they are to earn, will be to deliberately give away money collected from taxpayers without securing an equivalent in value for the promotion of the common good.

PROTECTIVE TARIFF.

The principle, American protection for American industries, is as vitally necessary for American commercial independence as the principle that every citizen shall owe allegiance to no other government is to American political independence.

When American protection is granted to an industry in order to enable it to overcome an existing difference in economic conditions, the purpose is to protect such industry until through its economic development and other economic changes, it is able to operate without the aid of governmental protection. The effective application of this principle is absolutely dependent upon a system of statistical information that will show accurately, at all times, all changes in economic conditions at home and abroad which in any way affect the economic condition of a protected industry. Such economic changes may be entirely independent and outside of the industry itself, such as increased cost of production in foreign countries, or decreased rates of interest, taxes, or transportation charges in this country. To such changes must be added decreased cost of production on the part of the industry incident to decreased cost of material or wages and the economies that result from improved machinery and increased output. The amount of protection required at any time is, or should be, determined by the difference between the total of economic advantages enjoyed by the American producer in comparison with the total of economic advantages enjoyed by his foreign competitor who seeks to sell products in our home market. Protection will become effectively established only when applied under the guidance of a statistical accounting system that will continuously adjust this difference in economic advantages in accordance with scientifically ascertained facts.

As the principle of protection is applied by means of an

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import duty, the amount of the revenue tariff, plus cost of transportation from a foreign country, is always an important factor in the economic advantages possessed by an American producer selling in our home market.

The adjustment of the difference in economic advantages may be illustrated as follows:

ANNUAL ADJUSTMENT OF ECONOMIC DIFFERENCES.

Years	1	2	3	4	5	6	7	8	9	10
Ocean Transportation...	5	4	3	4	5	6	5	4	4	5
Federal Revenue Tariff..	10	10	12	12	11	11	10	10	9	9
American Economic Development	45	50	55	60	55	50	65	70	80	86
Total Value of American Economic Position	60	64	70	76	71	67	80	84	93	100
Total Value of Foreign Economic Position ...	100	100	100	100	100	100	100	100	100	100
Federal Protection Duty Required to Adjust Economic Difference..	40	36	30	24	29	33	20	16	7	0

It will be observed that in the last two years the total of cost of transportation, revenue duties and American economic development gives the American producer points of advantage nearly equal and finally equal to the total of foreign economic advantages.

Of course none of these conditions remain in a permanently fixed condition from year to year, all are subject to frequent changes; even the rate of revenue tariff here shown to change but little for the entire period, may be changed materially.

The adjustment of economic differences, like the settlement of trade balances, is an ever-recurring contingency. Such adjustments can be properly made only through the work of a thoroughly organized and equipped permanent protective tariff commission clothed with ample authority to investigate, verify and apply ascertained facts to the problem of promoting the common good through adequate protection for American industries.

The adoption of this system will substitute the stability of a scientific method of administering the economic principle of American protection for American industries for the existing uncertainty of legislation guided by an uninformed electorate.

SCIENTIFIC ACCOUNTING AND THE BUDGET SYSTEM.

Argument is not needed in your presence to demonstrate the advantages of the budget system of public financial administration. Equally obvious to you are the advantages of a scientific system of accounting to serve as an indispensable basis for the budget system. You have no more time than you will need to get this foundation well made before public policy will

require that the budget system shall be erected upon it. It will not be long before public opinion will hold the executive branch of a government to a strict responsibility for estimated expenditures as well as for expenditures actually made. Scientific accounting must furnish the information without which reliable estimates cannot be made. Scientific accounting must furnish the evidence that expenditures have been economically made. By this means only can a scientific system of co-ordinating revenue and expenditures be established.

It is the business of those responsible for the financial management of a government to see that each department gets the money it needs, that no money goes where it is not needed, that revenue is procured in the least troublesome and least expensive way, that an exact yearly balance is struck, that the policy of expenditure is self-consistent and reasonably permanent from year to year. Such an administrative policy cannot be effectively carried out without the adoption of the budget system.

An important step in this direction has been taken by the Federal government. What is virtually a revolution in financial methods was effected last year in the adoption of section 7 of the Sundry Civil Appropriation bill, approved March 4, 1909, the precise language of which follows:

"Immediately upon the receipt of the regular annual estimates of appropriations needed for the various branches of the government it shall be the duty of the Secretary of the Treasury to estimate as nearly as may be the revenues of the government for the ensuing year, and if the estimates for appropriations, including the estimated amount necessary to meet all continuing and permanent appropriations, shall exceed the estimated revenues, the Secretary of the Treasury shall transmit the estimates to Congress as heretofore required by law, and at once transmit a detailed statement of all of the said estimates to the President, to the end that he may, in giving Congress information of the state of the Union and in recommending to their consideration such measures as he may judge necessary, advise the Congress how, in his judgment, the estimated appropriations could with least injury to the public service be reduced so as to bring the appropriations within the estimated revenues, or, if such reduction be not, in his judgment, practical, without undue injury to the public service, that he may recommend to Congress such loans or new taxes as may be necessary to cover the deficiency."

The *New York Journal of Commerce*, in its issue for December 13, 1909, commenting upon this provision editorially, says:

"Careful examination of the terms of the new law reveals the fact that it is destined to accomplish more than merely a balance between receipts and expenditures. The happy-go-lucky methods by which appropriation bills have been delayed

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until the closing days of the session will have to be reformed if the law is to be really operative. It comes as near giving the President a veto of separate items of an appropriation bill as anything that could be devised under our system, and it is, briefly, the most beneficent change that has been introduced into our system of national finance since its organization."

The importance of this provision of law is not overestimated. The improvement it will induce in the management of our system of national finance will be a continuing beneficence. But of equal importance will be the improvements it will induce in the public accounting system made necessary to furnish a correct basis for the estimates and recommendations it requires from the Secretary of the Treasury and the President. It is your duty to devise and establish the accounting changes required.

A NEW CO-ORDINATE BRANCH OF GOVERNMENT NEEDED.

The founders of our government won undying fame for their wisdom in providing for three independent departments of government exercising co-ordinated powers. To the wisdom of these provisions we today ascribe the stability of our institutions. The time has come when the need of a fourth independent and co-ordinate department—a department of accounts and statistics—has been demonstrated. To the work of such a department posterity is certain to ascribe the efficiency of their government.

If public administration is to become as efficient as private management, the duties of prescribing accounting systems, so as to bring into view and assign to its true place of importance every economic factor and social detail necessary for correctly guiding public opinion, must be performed by public officers who are independent of the legislative, executive and judicial departments of the government, whose work it is their duty to review and audit. The functions of such a department will be scientific, not legislative, executive, or judicial. The duty of its officers will be to examine all evidence and determine whether or not all sums due to the government have been collected, and whether or not all public disbursements have been made as directed by authority of ordinance or law. Their certificate will vouch for the honesty of every person responsible for the handling of public funds, and their comparative reports will demonstrate his executive efficiency.

The higher duties of the department will be to formulate standards of efficiency, tabulate and publish comparative statistics showing the results of experience, and demonstrating

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by scientifically ascertained facts the effects of governmental policies in promoting or retarding the common good.

The department of accounts and statistics should be modeled after the judiciary. Its officers should be appointed or elected in the same manner as the Justices of the Supreme Court. They should enjoy the same tenure of office, receive the same compensation, and be equally as independent of the legislative or executive branches of government.

The functions of this department will be to promote efficiency, prevent waste or fraud, and to report facts, uninfluenced by the commercial or political necessities of any person, set of men, or party, and to supply correct information for the guidance of the public policies adopted by the people.

When those things are done there is no reason in the nature of things why public administration may not become as efficient as private management. The doing of these things will make all American units of government—the school district, the township, the village, the city, the county, the State and the Federal government—the most efficient organizations for the promotion of the common good produced by twentieth century civilization.

These things will be done when the business men of the country unite in demanding that they shall be done.

CONCLUSION.

It is not your function to enact laws. It is your function to analyze laws and the construction given them, with the purpose of giving a proper explanation of their administration and effects through the statistical statements furnished from the accounts you keep.

The creative powers you may exercise are of the highest order. It is your function to erect standards by which the intelligence and justice manifested in laws may be determined.

Cause your work to honor you, and you will make a contribution to the common good that cannot be computed in terms of the money of accounts, but it will inspire to honorable conduct all with whom you come in contact.

Upon your patient and intelligent work the effective administration of our public business depends.

From the scientific standards and methods you employ must be drawn the information by which alone our progress in civilization can be intelligently guided.

The Accounts of a City.

BY RICHARD M. CHAPMAN, C. P. A.

(Continued.)

SYNOPSIS OF PRECEDING NUMBERS.

The Development of Municipal Accounting:—Changes in Method and Procedure Contemplated. Merits of Former Expedients. Scope of Thesis. Governing Distinctions. Form of Presentation and Illustration of Subject Adopted. Appropriation Funds and Provision Therefor. Assessment Funds. Taxes and Assessments Differentiated. Interest on and Redemption of Assessment Bonds. Water Revenue and Maintenance. Receiving and Collecting Officers. Bond Funds. Special Funds. Accounts Current. Primary Classification of Receipts. Liquidation of Imposts. Application of Miscellaneous Revenues. Refunding of Taxes, Assessments and Water Rates, paid in error. Refunds of Miscellaneous Revenues. Characteristics of Different Types of Funds. "A" Warrants Drawn Against Appropriations. "B" Warrants Drawn Against Special and Trust Accounts. Audit, Registration, Payment and Cancellation of Warrants. Significance of the Balances of Fund, Warrant and Cash Accounts. Current Taxes, Assessments and Water Rates, and Arrears. Enforcing Collection by Sale. Disposition of Surplus Balances of Funds. City Treasury Journal, Ledger, and Trial Balance thereof. The Principal of the City Debt. The Several Classes of Bonds. Modes of Authorization and Redemption. Interest on the City Debt. Principal and Interest Journal, Ledger and Trial Balance thereof.

THE SINKING FUND.

The sinking fund of a city is a contract entered into with the purchasers and holders of all long term city bonds redeemable by sinking fund provision, and the annual installments and pledged revenues stipulated in the scheme of accumulation to amortize or secure the redemption of said loans obtains as an immutable agreement until the last bond issued under the provisions of said sinking fund matures and is paid.

A city may operate two or more sinking funds simultaneously, each related exclusively to a distinct class of bonds issued thereunder; as, for instance, "Sinking Fund for the Redemption of Water Construction Bonds," or "Sinking Fund for the Redemption of Bonds Issued for the Construction of Bridges," or any other specific class or series of loans for the redemption of which particular revenues may have been pledged, which in each instance will form as distinct a contract and apply as exclusively to its related loans as if it were the business of a different municipality. On the other hand, a city may establish a perpetual sinking fund for the redemption of all loans contracted after a stated date and provide for installments measured to the precise requirements to be levied and paid into the fund annually; but specific revenues pledged to secure specific loans obviously cannot be applied to the redemption of other loans until the last bond for the redemption of which they were originally pledged has been paid. After the termination of any special sinking fund, consequent upon the redemption of loans thereby secured, the revenues that had been pledged thereto, being again free for other application, may be pledged again to another sinking fund and operate to reduce the annual installments therefor raised by taxation.

As each of the several cities, assumed in this treatise to have been consolidated, are also assumed to have pledged certain local revenues in addition to annual installments for the amortization of local bonded obligations, and as such local obligations were taken over by the greater city, subject to the sinking fund provisions that respectively attached thereto, it is obvious that the separate operation of the sinking funds of each of said cities must be continued until normally terminated by the maturity and redemption of the last obligation marking the completion of the contract, and until such time the revenues specifically pledged to each are the property of the related bond holders, and must be accumulated in trust to insure the satisfaction of their liens.

After consolidation, however, it is assumed that the greater city establishes a perpetual sinking fund for the redemption of all permanent loans thereafter contracted, depending in the main upon annual installments to be raised by tax, but supplemented by certain miscellaneous revenues not otherwise pledged, which revenues, however, are applied, not to the redemption of any specific loan, but merely to the reduction of the annual installment, which, subject to such abatement, will increase with growing indebtedness incurred after consolidation and with the decreasing indebtedness of the constituent former municipalities incurred prior to consolidation.

The subject is accordingly divided into two parts. The first part deals with the sinking funds of former municipalities consolidated, which is presented as one fund, but is understood to measure the volume of as many separate sinking funds as are comprehended, and the second part deals with the sinking funds of the city as constituted after consolidation.

The entries and accounts here following reflect, under a broad and suggestive classification, the elements and action which commonly attach to the sinking fund operations of a city.

SINKING FUNDS OF FORMER MUNICIPALITIES—JOURNAL.

ENTRY 1.

1.	Treasurer of the Sinking Fund—Cash: To Sundries.	\$1,710,454.53
6.	Annual Installment Levied.....	\$179,572.11
7.	Revenue from Investment.....	448,837.76
8.	Interest on Bank Deposits.....	7,747.63
9.	Investments Redeemed.....	350,040.00
10.	Assessments and Water Rates Pledged	53,168.48
11.	Miscellaneous Sinking Fund Revenues	673,088.60
	For cash receipts of the sinking funds of former municipalities. (Aggregate of periodical entries.)	

There are two accounts operated under the title of "Treasurer of the Sinking Fund," which are distinguished by the suffixes "Cash" and "Investments," respectively; the first named dealing with the cash received and paid, and the other with

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the investments acquired and relinquished as they are severally purchased or redeemed.

The "Annual Installment" is the amount levied by tax and paid from the City Treasury into the Sinking Funds by "A" warrants in a sum which, added to the revenues pledged or arising from investments, will cause the fund accumulations to equal the accruals on the approaching maturity of loans redeemable thereby.

The "Revenue from Investments" is the interest on city bonds held by the sinking funds, and payable until said bonds mature, which bonds may be redeemable by direct taxation, by assessments, by other sinking funds, or by the sinking fund holding them.

The "Interest on Bank Deposits" is the interest allowed by the depositories of uninvested sinking fund moneys on daily balances, and is accordingly the income from the uninvested funds, or, as sometimes called, free cash.

The "Investments Redeemed" is the cash received by the sinking fund from other sinking funds, from assessment funds, or from appropriation funds for the redemption of such of its holdings as are not redeemable by it at maturity. Such investments as are redeemable by the fund holding them are simply canceled at maturity, which operates as a redemption by the fund, paid with securities instead of by cash.

The "Assessments and Water Rates Pledged" is the payment into the sinking fund of moneys provided for the redemption of assessment and water bonds not originally redeemable by it, but which, upon said redemption being assumed by the sinking fund under special laws, are accordingly pledged to the sinking fund as one of the stipulated conditions incident to the redemption so assumed.

The "Miscellaneous Sinking Fund Revenues" comprise all fees, fines, licenses, penalties, rents, etc., which have from time to time been pledged to the sinking fund for the redemption of the city debt, and continue to be so pledged until the termination of the contract giving rise to such application.

ENTRY 2.

5. Sundries: To Sinking Fund Warrants.....	\$1,720,250.00
12. Redemption of the City Debt.....	\$874,000.00
13. Investments Purchased	845,000.00
14. Refunds of Revenues.....	1,250.00
For warrants drawn and registered for disbursements by sinking funds. (Aggregate of periodical entries.)	

The "Redemption of the City Debt" is the fulfillment by the sinking fund of its ultimate function; i. e., "the satisfaction and discharge of matured loans for the redemption of which the fund was primarily created."

The "Investments Purchased" is the employment of the sinking fund accumulations in the purchase of city bonds, the

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income from which constitutes the principal item of sinking fund revenue. The sinking funds are extensive buyers of short term loans; i. e., special revenue and revenue bonds, and so obviate the necessity of public sale, at frequent intervals and in small amounts, as money is needed by the city treasury. They also purchase long term bonds to the extent that their cash balances are available therefor, especially when market conditions are unfavorable to public sale, and through such continual purchases of city obligations the sinking fund accumulations are constantly available for general city purposes, without in any way imperiling the implied trust. All sales to the sinking funds of city bonds are at par.

The "Refund of Revenue" is the necessary return of revenues received in error, and comprises principally over and double payments of pledged assessments and water rates, or fees, fines and penalties remitted by court order. In the first instance the sinking fund warrants for aggregate periodical totals are deposited to the credit of the "Refunding Assessments Paid in Error," or "Refunding Water Rates Paid in Error," from which latter funds the payments to the original claimants for refunds are made; and in the second instance the sinking fund warrants are drawn to the order of the specific payees without passing through any intermediate account.

ENTRY 3.

2.	Treasurer of the Sinking Fund—Investments.....	\$845,000.00	
4.	To Sinking Fund Investments.....		\$845,000.00
	For City bonds acquired by Sinking Fund through purchase as per warrants drawn therefor, stated in Entry 2.		
	(Aggregate of periodical entries.)		

The specific titles of the bonds purchased by the sinking fund and constituting its investments form the subjects of accounts opened and conducted in the Sinking Fund Investment Ledger, which accounts are credited with the amounts of the bonds as acquired and charged with the amounts of the bonds as relinquished, under the respective titles thereof, and reflect at all times the composition of the current holdings in agreement with the controlling accounts created by the above general entry, which may be framed monthly or at other suitable intervals.

ENTRY 4.

12.	Redemption of the City Debt.....	\$229,400.00	
2.	To Treasurer of the Sinking Fund—		
	Investments		\$229,400.00
	For the cancellation at maturity of City bonds held by and redeemable from the Sinking Fund, thereby simultaneously reducing the City debt and the investments previously charged to the Treasurer, the corresponding reduction of the Investments controlling account being effected by the entry following.		

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ENTRY 5.

4.	Sinking Fund Investments: To Sundries.....	\$579,440.00	
2.	Treasurer of the Sinking Fund Investments..		\$350,040.00
12.	Redemption of the City Debt.....		229,400.00
For investments of the Sinking Fund relinquished upon the redemption thereof at maturity as per cash receipts, Entry 1, and Cancellations, Entry 3.			

ENTRY 6.

5.	Sinking Fund Warrants.....	\$1,719,006.69	
1.	To Treasurer of the Sinking Fund—Cash....		\$1,719,006.69
For cash payments by Treasurer of the Sinking Fund as per accounts current and vouchers returned by depositories, thereby simultaneously reducing the balance of warrants outstanding and the funds in depositories to the credit of the Sinking Fund.			

ENTRY 7.

3.	Sundries: To Sinking Fund Cash Account...		\$1,710,454.53
6.	Annual Installments Levied.....	\$179,572.11	
7.	Revenue from Investments.....	446,837.76	
8.	Interest on Bank Deposits.....	7,747.63	
9.	Investments Redeemed	350,040.00	
10.	Assessments and Water Rates Pledged.....	53,168.43	
11.	Miscellaneous Sinking Fund Revenues.....	673,088.60	

ENTRY 8.

3.	Sinking Fund Cash Account: To Sundries...	\$1,720,250.00	
12.	Redemption of the City Debt.....		\$874,000.00
13.	Investments Purchased		845,000.00
14.	Refunds of Revenues.....		1,250.00
7 and 8: For closing of all nominal accounts classifying the several subjects of Sinking Fund income and expenditure by transfer of the balances thereof into general Cash Summary, which will accordingly produce an aggregate balance equal to the available cash funds at the conclusion of the fiscal year.			

The foregoing entries 1 to 8, which relate to the sinking funds of former municipalities consolidated, are identical in action and tenor to the entries 9 to 15, hereinafter framed, which relate to the sinking fund of the city as constituted after consolidation, entry 4, which is omitted from the latter sequence and the stated amounts, constituting the only difference. The descriptive text and accompanying argument employed in the presentation of the foregoing entries will accordingly apply with equal force to the entries which follow, and the corresponding equivalents in both funds are as follows:

Former municipalities.....	Entry 1,	2,	3,	4,	5,	6,	7,	8.
City as now constituted.....	Entry 9,	10,	11,	0,	12,	13,	14,	15.

(To be Continued.)

Uniform System of Accounts for Gas Corporations and Electric Corporations in the District of Columbia.

As Prescribed by the Interstate Commerce Commission in Accordance with Act of Congress Approved March 3, 1909. Public—No. 303.

AT A GENERAL SESSION OF THE INTERSTATE COMMERCE COMMISSION, HELD AT ITS OFFICE IN WASHINGTON, D. C., ON THE 21ST DAY OF JUNE, 1909.

Present: Martin A. Knapp, Judson C. Clements, Charles A. Prouty, Francis M. Cockrell, Franklin K. Lane, Edgar E. Clark, James S. Harlan, Commissioners.

The subject of a Uniform System of Accounts for Corporations Engaged in the Manufacture and Sale of Gas or Electricity in the District of Columbia being under consideration, the following order was entered:

It is ordered, That the following groups of accounts, with the classifications and texts pertaining thereto, namely,

A. Operating Revenue Accounts and Operating Expense Accounts.

B. Income Accounts,

C. Balance Sheet Accounts and Capital Accounts,

prepared under the direction of this Commission by Henry C. Adams, in charge of Statistics and Accounts, and embodied in printed form to be hereafter known as Uniform System of Accounts for Gas Corporations and Electric Corporations, a copy of which is now before this Commission, be, and the same are hereby, approved; that a copy thereof duly authenticated by the Secretary of the Commission be filed in its archives, and a second copy thereof, in like manner authenticated, in the office of the Bureau of Statistics and Accounts; and that each of said copies so authenticated and filed shall be deemed an original record thereof.

It is further ordered, That the said accounts, with the classifications and texts pertaining thereto, be, and are hereby, prescribed for the use of corporations engaged in the manufacture and sale of gas or electricity in the District of Columbia; that each and every corporation and each and every receiver or operating trustee of any such corporation be required to keep all accounts involved in the Uniform System of Accounts for Gas Corporations and Electric Corporations in conformity therewith; and that a copy of said accounts,

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with the classifications and texts pertaining thereto, be sent to each and every such corporation and to each and every receiver or operating trustee of any such corporation.

It is further ordered, That the rules contained in said Uniform System of Accounts for Gas Corporations and Electric Corporations are, and by virtue of this order do become, the lawful rules according to which the said accounts are defined.

It is further ordered, That any such corporation or any receiver or operating trustee of any such corporation may subdivide any primary account for which provision is made in said Uniform System of Accounts for Gas Corporations and Electric Corporations in such manner as may be required for the purposes of any such corporation or any receiver or operating trustee of any such corporation: *Provided, however,* That the authority thus conferred be not used in such manner as to impair the integrity of any general or primary account hereby prescribed: *And provided further,* That this authority be not interpreted as a bar to the full and complete inspection by properly authorized representatives of the government of all accounts kept by the said corporations.

It is further ordered, That January 1, 1910, be, and is hereby, fixed as the date on which said Uniform System of Accounts for Gas Corporations and Electric Corporations shall become effective.

A true copy:

EDW. A. MOSELEY,
Secretary.

INTRODUCTORY LETTER.

INTERSTATE COMMERCE COMMISSION,
BUREAU OF STATISTICS AND ACCOUNTS,
Washington, June 21, 1909.

TO CORPORATIONS ENGAGED IN THE MANUFACTURE AND SALE OF
GAS OR ELECTRICITY IN THE DISTRICT OF COLUMBIA:

In the Appropriation Bill for the District of Columbia, for the year ending June 30, 1910, under the title "Electrical Department," will be found the following paragraph:

"On and after the passage of this act every corporation engaged in the manufacture and sale of gas or electricity in the District of Columbia shall open and keep a set of books in manner and form prescribed by the Interstate Commerce Commission."

In conformity with the above provision of the law, and acting under instructions from the Interstate Commerce Commission, I have the honor to transmit to you herewith an order

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of the Commission, under date of June 21, 1909, and a Uniform System of Accounts for Gas Corporations and Electric Corporations doing business in the District of Columbia. It will be observed that the date on which your accounts should be made to conform to the classifications and rules hereby authorized is January 1, 1910.

The accounts herewith prescribed are divided into three groups, namely:

A. Operating Revenue Accounts and Operating Expense Accounts,

B. Income Accounts,

C. Balance Sheet Accounts and Capital Accounts.

While it is recognized that the business of the manufacture and sale of gas or electricity calls for peculiar accounting treatment, so that the accounts may properly reflect the conditions under which the business is carried on, it is also recognized that the fundamental principles of accounting are the same for all classes of business. This explains why the structure of the accounts herewith submitted is, in the main, in harmony with the general structure of the accounts and classifications issued by the Interstate Commerce Commission for all corporations and business agencies subject to its jurisdiction.

It is the custom of this office, in case of uncertainty in interpretation, to consider and to answer, in an official manner, any questions which accounting officers may care to submit, and the Bureau of Statistics and Accounts of the Interstate Commerce Commission desires to avail itself of this opportunity of suggesting that the accounting officers of gas and electric corporations doing business in the District of Columbia submit all questions of doubtful interpretation for official ruling.

The classifications prepared by the Public Service Commissions of the State of New York for the gas and electric corporations of that State have been drawn upon very largely for the texts of the accounts presented herein.

HENRY C. ADAMS,

In charge of Statistics and Accounts.

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GROUP A.—OPERATING ACCOUNTS.

For Gas Corporations.

OPERATING REVENUES :

- G 101. Sale of Gas for Municipal Purposes.
- G 102. Prepaid Gas Sales.
- G 103. Commercial Gas Sales.
- G 104. Sale of Gas to Other Gas Corporations.
- G 105. Sale of Residuals and By-Products.
- G 106. Other Miscellaneous Gas Revenue.

OPERATING EXPENSES :

I. Production Expenses—

- G 120. Works Superintendence.
- G 121. Works Labor.
- G 122. Boiler Fuel.
- G 123. Water.
- G 124. Fuel Under Retorts.
- G 125. Coal Carbonized.
- G 126. Coal-Gas Enrichers.
- G 127. Generator Fuel.
- G 128. Water-Gas Oil.
- G 129. Purifying Supplies.
- G 130. Miscellaneous Works Expense.
- G 131. Gas Storage.
- G 132. Gas from Other Sources.
- G 135. Works and Station Structures—Maintenance.
- G 136. Power-Plant Equipment. — Maintenance.
- G 137. Gas Apparatus—Maintenance.
- G 138. Works Tools—Maintenance.

II. Transmission and Distribution Expenses—

- G 140. Transmission Pumping.
- G 141. Distribution Superintendence.
- G 142. Distribution Supplies and Expenses.
- G 143. Gas Meter and Installation Work.
- G 144. Work on Consumers' Premises.
- G 150. Gas Mains and Services — Maintenance.
- G 151. Gas Meters — Maintenance.
- G 152. Distribution Tools—Maintenance.
- G 153. Gas Appliances — Maintenance.

III. Street and Park Lighting Expenses—

- G 155. Street Lamp Operation.
- G 156. Street Lamps—Maintenance.

IV. Commercial Expenses—

- G 160. Commercial Administration.

- G 161. Advertising.
- G 162. Other Commercial Expenses.

V. General and Miscellaneous Expenses—

- G 165. Salaries and Expenses of General Officers.
- G 166. Salaries and Expenses of General Office Clerks.
- G 167. General Office Supplies and Expenses.
- G 168. General Law Expenses.
- G 169. Miscellaneous General Expenses.
- G 170. Insurance.
- G 171. Relief Department and Pensions.
- G 172. Gas Franchise Requirements.
- G 173. Residuals Expense.
- G 174. General Amortization.
- G 175. Injuries to Persons and Property.
- G 176. Stationery and Printing.
- G 177. Store Expenses.
- G 178. Stable Expenses.
- G 179. Miscellaneous Adjustments—Balance.
- G 180. General Structures—Maintenance.

For Electric Corporations.

OPERATING REVENUES :

- E 101. Street and Park Lighting.
- E 102. Commercial Lighting.
- E 103. Commercial Power.
- E 104. Railway Power.
- E 105. Other Electric Corporations.
- E 106. Electric Merchandise and Jobbing.
- E 107. Sale of By-Products.
- E 108. Other Miscellaneous Electric Revenue.
- E 109. Joint Electric Rent Revenue.
- E 110. Sale of Steam.
- E 111. Rent of Land and Buildings.
- E 112. Rent of Equipment.

OPERATING EXPENSES :

I. Production Expenses—

- E 120. Power-Plant Wages.
- E 121. Fuel.
- E 122. Water.
- E 123. Lubricants.
- E 124. Steam from Other Sources.
- E 125. Electric Energy from Other Sources.
- E 126. Miscellaneous Power-Plant Expenses.
- E 130. Power-Plant Buildings — Maintenance.
- E 131. Motive Power—Maintenance.

- E 132. Electrical Apparatus—Maintenance.
- E 133. Miscellaneous Power-Plant Equipment—Maintenance.
- E 134. Power-Plant Tools and Implements—Maintenance.

II. Transmission Expenses—

- E 140. Transmission Subway Rent.
- E 141. Substation Labor.
- E 142. Substation Supplies and Expenses.
- E 150. Transmission Poles and Fixtures—Maintenance.
- E 151. Overhead Transmission System—Maintenance.
- E 152. Underground Transmission Conduits—Maintenance.
- E 153. Underground Transmission System—Maintenance.
- E 154. Substation Buildings—Maintenance.
- E 155. Substation Equipment—Maintenance.

III. Distribution Expenses—

- E 170. Distribution Superintendence.
- E 171. Distribution Office Expenses.
- E 172. Distribution Subway Rent.
- E 173. Setting and Removing Meters and Transformers.
- E 174. Electric Meter Operation.
- E 175. Commercial Arc Lamps—Operation.
- E 176. Commercial Incandescent Lamps—Operation.
- E 177. Commercial Incandescent Lamps—Renewals.
- E 178. Commercial Glowler Lamps—Operation.
- E 179. Customers' Signs—Operation.
- E 180. Public Arc Lamps—Operation.
- E 181. Public Incandescent Lamps—Operation.
- E 182. Public Incandescent Lamps—Renewals.
- E 183. Public Glowler Lamps—Operation.
- E 184. Miscellaneous Distribution Labor.
- E 185. Miscellaneous Distribution Supplies.
- E 190. Distribution Poles and Fixtures—Maintenance.
- E 191. Overhead Distribution System—Maintenance.

- E 192. Underground Distribution Conduits—Maintenance.
- E 193. Underground Distribution System—Maintenance.
- E 194. Electric Meters—Maintenance.
- E 195. Transformers—Maintenance.
- E 196. Electric Services—Maintenance.
- E 197. Commercial Lamps—Maintenance.
- E 198. Commercial Glowler Lamps—Maintenance.
- E 199. Public Arc Lamps—Maintenance.
- E 200. Public Glowler Lamps—Maintenance.
- E 201. Miscellaneous Distribution Equipment—Maintenance.

IV. Commercial Expenses.

- E 210. Commercial Administration.
- E 211. Advertising.
- E 212. Other Commercial Expenses.

V. General and Miscellaneous Expenses.

- E 220. Salaries and Expenses of General Officers.
- E 221. Salaries and Expenses of General Office Clerks.
- E 222. General Office Supplies and Expenses.
- E 223. General Law Expenses.
- E 224. Miscellaneous General Expenses.
- E 225. Insurance.
- E 226. Relief Department and Pensions.
- E 227. Electric Franchise Requirements.
- E 228. General Amortization.
- E 229. Injuries to Persons and Property.
- E 230. Stationery and Printing.
- E 231. Store Expenses.
- E 232. Stable Expenses.
- E 233. Miscellaneous Adjustments—Balance.
- E 240. General Structures—Maintenance.

GROUP B.—INCOME ACCOUNTS.

For Gas Corporations and Electric Corporations.

- 51. Operating Revenues.
- 52. Operating Expenses.
- 53. Outside Operations—Revenues.
- 54. Outside Operations—Expenses.
- 55. Taxes.
- 56. Uncollectible Customers' Bills.

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57. Rents Accrued from Lease of Plant.
58. Miscellaneous Rent Revenues.
59. Dividend Revenues.
60. Interest Revenues.
61. Miscellaneous Nonoperating Income.
62. Rents Accrued for Lease of Other Plants.
63. Miscellaneous Rents—Dr.
64. Loss on Operations of Others.
65. Interest Deductions.
66. Bad Debts Written Off.
67. Sinking Funds Chargeable to Income.
68. Amortization of Landed Capital.
69. Amortization of Debt Discount and Expense.
70. Amortization of Premium on Debt—Cr.
71. Other Deductions from Gross Corporate Income.
72. Dividends Declared.
73. Appropriations to Reserves.
74. Other Deductions from Surplus.

GROUP C.—BALANCE SHEET ACCOUNTS.

For Gas Corporations and Electric Corporations.

ASSETS.

1. Fixed Capital—Plant and Equipment, December 31, 1909, (devoted to operations).
2. Expenditures for Plant and Equipment since December 31, 1909.
3. Property Devoted to Other Operations.
4. Property Abandoned.
5. Securities Owned of Proprietary, Affiliated, or Controlled Companies.
6. Investments.
7. Recquired Securities.
8. Materials and Supplies.
9. Cash.
10. Bills Receivable.
11. Accounts Receivable.
12. Interest and Dividends Receivable.
13. Other Working Assets.
14. Coupon Special Deposits.
15. Dividend Special Deposits.
16. Other Special Deposits.
17. Advances.
18. Insurance Premiums Paid in Advance.
19. Taxes Paid in Advance.
20. Rents Paid in Advance.
21. Other Prepayments.
22. Unamortized Debt Discount and Expense.
23. Discount on Capital Stock Sold—Unamortized.
24. Other Suspense.
25. Deficit—Profit and Loss—Balance.

LIABILITIES.

26. Capital Stock.
27. Funded Debt.
28. Unamortized Premium on Debt.
29. Consumers' Deposits.
30. Loans and Bills Payable.
31. Audited Vouchers and Wages Unpaid.

32. Other Working Liabilities.
33. Taxes Accrued.
34. Interest Accrued.
35. Rents Accrued.
36. Dividends Declared.
37. Accrued Amortization of Capital.
38. Appropriated Surplus—Reserves.
39. Free Surplus—Profit and Loss—Balance.

GROUP C.—CAPITAL ACCOUNTS.

For Gas Corporations.

- G 300. Land Devoted to Gas Operations.
- G 301. Organization.
- G 302. Franchises.
- G 303. Patent Rights.
- G 304. Other Intangible Gas Capital.
- G 305. General Structures.
- G 306. General Equipment.
- G 307. Works and Station Structures.
- G 308. Holders.
- G 309. Furnaces, Boilers, and Accessories.
- G 310. Steam Engines.
- G 311. Gas Engines.
- G 312. Miscellaneous Power-Plant Equipment.
- G 313. Benches and Retorts.
- G 314. Water-Gas Sets and Accessories.
- G 315. Purification Apparatus.
- G 316. Accessory Equipment at Works.
- G 317. Trunk Lines and Mains.
- G 318. Gas Services.
- G 319. Gas Meters.
- G 320. Gas Meter Installation.
- G 321. Municipal Street-Lighting Fixtures.
- G 322. Gas Engines and Appliances.
- G 323. Gas Tools and Implements.
- G 324. Gas Laboratory Equipment.
- G 325. Other Tangible Gas Capital.
- G 326. Engineering and Superintendence.
- G 327. Law Expenditures During Construction.
- G 328. Injuries During Construction.
- G 329. Taxes During Construction.
- G 330. Miscellaneous Construction Expenditures.
- G 331. Interest During Construction.
- G 332. Land in Other Departments.
- G 333. Franchises in Other Departments.
- G 334. Patent Rights in Other Departments.
- G 335. Other Intangible Capital in Other Departments.
- G 336. Tangible Capital in Other Departments.

For Electric Corporations.

- E 300. Land Devoted to Electric Operations.
- E 301. Organization.
- E 302. Franchises.
- E 303. Patent Rights.
- E 304. Other Intangible Electric Capital.
- E 305. General Structures.
- E 306. General Equipment.
- E 307. Dams, Canals, and Pipe Lines.
- E 308. Power-Plant Buildings.
- E 309. Furnaces, Boilers, and Accessories.

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E 310. Steam Engines.	E 330. Electric Motors and Heaters.
E 311. Turbines and Water Wheels.	E 331. Electric Tools and Imple-
E 312. Gas Producers and Acces-	ments.
sories.	E 332. Electric Laboratory Equip-
E 313. Gas Engines.	ment.
E 314. Electric Generators.	E 333. Other Tangible Electric Cap-
E 315. Accessory Electric Power	ital.
Equipment.	E 334. Engineering and Superintend-
E 316. Miscellaneous Power-Plant	ence.
Equipment.	E 335. Law Expenditures During
E 317. Substation Buildings.	Construction.
E 318. Substation Equipment.	E 336. Injuries During Construction.
E 319. Poles and Fixtures.	E 337. Taxes During Construction.
E 320. Underground Conduits.	E 338. Miscellaneous Construction
E 321. Transmission System.	Expenditures.
E 322. Distribution System.	E 339. Interest During Construction.
E 223. Line Transformers and De-	E 340. Land in Other Departments.
vices.	E 341. Franchises in Other Depart-
E 324. Electric Services.	ments.
E 325. Electric Meters.	E 342. Patent Rights in Other De-
E 326. Electric Meter Installation.	partments.
E 327. Street and Park Lighting Sys-	E 343. Other Intangible Capital in
tem.	Other Departments.
E 328. Commercial Arc Lamps.	E 344. Tangible Capital in Other De-
E 329. Glow Lamps.	partments.

NOTE.—In succeeding issues we expect to publish in detail, the text applying to Class A, Class B and Class C accounts for Gas Companies and Electric Companies.—EDITOR.

Advanced Accounting Methods of the Navy Department, 1909.

COST ACCOUNTING.

(Extract from the report of Hon. George Von L. Meyer, Secretary of the Navy,
for the fiscal year 1909.)

In an endeavor to make an accurate comparison between the cost of work under the separate bureau system at navy yards and under the consolidation plan in effect since February 1, the Department found that the accounting system in force was not modern or sufficient, that it violated the fundamental principle that the man who does the work should not fix the charges on the work, and that the overhead or indirect charges were not being fixed in a uniform way and did not accord with modern scientific practice. This forbade any exact comparison of cost.

In order to place the cost accounting of the navy yards on a modern basis in accord with prevailing commercial practice, the Department engaged an expert of the firm of Marwick, Mitchell & Co., Chartered Accountants, of New York, and inaugurated this summer, under his advice and supervision, at the Boston Navy Yard, what has proved already to be an effective system of cost keeping, and a plan from which it is believed great economy will result. The same system will shortly be put into effect at the navy yard, New York, and, as soon thereafter as possible, at all other navy yards.

The new accounting system will be a separate office at each navy yard under the commandant, and the Bureau of Supplies and Accounts will furnish paymasters, trained in the new system, for accounting officers of all navy yards. That the new plan of cost accounting has been so promptly put into effect at Boston has been due to the advice of the expert civilian accountant and the cordial co-operation and support of the commandant of the Boston Navy Yard, the Paymaster General, and the Chief Constructor.

Having been impressed with the great importance of correct cost-keeping as a feature of good business administration, I have personally kept in touch with the business details involved, and have inspected the working of the plan in operation at Boston.

The Government Accountant.

The following advantages will accrue from the new system:

An improved and modern bookkeeping system.

Simplification and reduction in number of the forms used in recording business between the storehouse and the shops and the accounting department.

Substitution of a single pay roll in place of two now in use.

As balances will be struck daily, immediate discovery of mistakes will result, so that the various returns, including the pay roll, will be kept up to date, and the pay roll will be ready for the cashier or paymaster of the yard a day and a half after the period closes for which the pay is due. The accounting officer will make up the pay roll and a different paymaster will make the payments. The total cash paid must equal the total pay roll, the time on the pay roll must total the hours of labor on job orders.

Job orders will be promptly closed out when the work is completed, and invoices will be completed within five days thereafter. Under the old system some months often elapsed before the completion of invoices.

The new system will furnish an accurate basis on which to make estimates for work. Under the old system estimates were uniformly too high and were thus productive of overcost.

The new system will be carried on with less clerical force, and consequent reduced expense of accounting and cost keeping.

It also promises material improvement in economy through the stimulus it gives to thorough inspection, to the rivalry between shops, closer estimates, and to direct and thorough accounting for materials issued from store.

The various expense accounts, other than direct labor and material, are being so systematized that shop foremen will be shown clearly their shop expense and where retrenchment will be possible.

When the new system is established at all navy yards their work can be compared with similar work of outside firms and with each other, and a standard of economy created.

Central Accounting Office.

(Extract from the report of Paymaster General E. B. Rogers, U. S. Navy, to the Secretary of the Navy, for the fiscal year 1909.)

The Department having authorized the experiment of a central accounting office at the navy yard, Boston, it was felt that the bureau needed in a work of that character, as well as in the new cost-keeping plan, the help of accountants from civil life. To this the Secretary of the Navy empowered the employment of a firm of Chartered Accountants of the highest standing. An officer of the Pay Corps was ordered to Boston for special duty, and shortly after July 1 the new office was opened by taking over the preparation of the weekly pay rolls and the time records. This was soon brought up to a high state of efficiency. The next step was taken by turning over to this office the cost of work accounts from the manufacturing department, and these are now being brought up to date and into consonance with the new idea of cost keeping.

The development of the central accounting office will follow logically from these transfers. During this time the civilian accountants were co-operating in the work, the whole being under the immediate direction of an officer from this bureau, who has in charge the establishment of the uniform cost of work accounts. No small part of the successful progress of the work in hand is due to the sympathy and support of the commandant of the Boston Navy Yard.

The accounting firm has worked with the officers of the Pay Corps having the work in charge, not for the purpose of presenting a new and fully rounded system of accounting and cost of work, but rather to build upon the basis of the existing accounts, cutting out unnecessary processes, where advisable, and introducing where possible the most modern and scientific methods of accounting; in short, to fit the system to existing conditions rather than attempt to bring the machinery of legislation into agreement with some ideal plan of accounting which might in the end prove impracticable.

The first work done by the accountants was the appraisal and listing of the United States property, as embraced in the navy yard, Boston, and the opening of a capital account and the establishment of a depreciation account.

They then drew up a comprehensive system of blank forms for carrying out the new cost of work accounts, and gave active aid and attention toward the improvement of existing books and the extension of the work of the accounting office.

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In reply to possible inquiry as to what this bureau expects to gain by this work, it may be answered that if the experiment at Boston should prove successful—

It will establish in each yard a central accounting and pay office, under the direction of the commandant, where the expenditures of the yard will be digested, entered, tabulated and reported to the Department by a skilled accountant, whose business it is to do such work.

It will place the important records of time and labor under the neutral control of the non-manufacturing bureau.

It will insure impartiality in entering cost accounts, and will be a safeguard to the manager of the manufacturing department, as well as to the bureaus which are responsible for the appropriations committed to their cognizance.

It will (as is already shown at Boston) expedite reports and give the bureaus and the managers more prompt and accurate information as to the progressive expense of work than they have ever had before.

It will bring naval accounting more nearly abreast of modern scientific practice, and will replace the present archaic and unsatisfactory methods.

It will more readily accommodate itself to existing conditions, and will place the financial records of each yard concerned upon exactly similar systems and stimulate competition between them.

It will pave the way for standardizing job orders and will enable critical comparison to be between similar jobs in different yards, and thus make it possible to base estimates on known data.

And, finally, it is hoped and believed that it will make for economy in every bureau, yard, station and office.

U. S. Civil Service Examinations.

The United States Civil Service Commission announces the following examinations, of interest to bookkeepers and junior accountants, to be held at all regular examination points as listed on Form No. 1237, December, 1909, to secure eligibles from which to make certification to fill present vacancies, and also future vacancies requiring similar qualifications as they may occur, unless it shall be decided in the interests of the service to fill any or all of the existing vacancies by reinstatement, transfer or promotion.

Circular No. 119.

Application Form 1312.

BUSINESS PRINCIPAL (MALE), \$1,200 per annum.

(HASKELL INSTITUTE, KANSAS.)

March 3-4, 1910.

The examination will consist of the subjects mentioned below, weighted as indicated:

<i>Subjects.</i>	<i>Weights.</i>
1. Spelling and copying	5
2. Method of teaching	10
3. Commercial law	10
4. Commercial arithmetic	10
5. Bookkeeping	10
6. Stenography (methods of teaching and practical test).....	10
7. Typewriting (methods of teaching and practical test).....	10
8. Business correspondence	10
9. Commercial geography	5
10. Penmanship (theory and practice).....	10
11. Training and experience (rated on application).....	10
Total	100

Applicants for examination for this position must be thoroughly qualified to teach stenography (Benn Pitman system), touch typewriting, bookkeeping, penmanship, commercial arithmetic, commercial geography, English, and orthography. Applicants are required to have had at least one year's experience in teaching these subjects in a commercial college or business school.

Pupils in the business department at Haskell Institute are prepared for appointments in the various Indian schools and at the various Indian agencies throughout the country, and also to take positions in the business world. Their business training must therefore be thorough, and the instructor must be well qualified for the performance of his duties.

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Applicants will be required to accompany their applications with a certificate from a reputable physician showing that they are free from tuberculosis in any and every form.

Men only will be admitted to this examination.

For description of the practical tests in stenography and typewriting see Form 1424, which may be obtained by applying to the United States Civil Service Commission, Washington, D. C. The typewriting tests will consist of copying from rough draft and copying from plain copy.

Two days will be required for this examination.

Age limit, 20 years or over on the date of the examination.

Circular No. 116.

Application Form 304.

FOREST CLERK (MALE), \$1,100 or \$1,200 per annum.

March 16-17, 1910.

The examination will consist of the subjects mentioned below, weighted as indicated:

PART I.—BOOKKEEPING.

<i>Subjects.</i>	<i>Weights.</i>
1. Spelling (twenty words of more than average difficulty).....	10
2. Arithmetic (fundamental rules, fractions, percentage, interest, discount, analysis, and statement of simple accounts)....	20
3. Penmanship (the handwriting of the competitor in the subject of letter-writing will be considered with special reference to the elements of legibility, rapidity, neatness, general appearance, etc.).....	10
4. Letter-writing (a letter of not less than 150 words on some subject of general interest. Competitors may select one of two subjects given)	20
5. Practice of bookkeeping (embracing tests in journalizing, and preparation of balance sheet in mercantile transactions)...	40
Total.....	100

PART II.—STENOGRAPHY AND TYPEWRITING.

1. Stenography. (In lieu of a dictation competitors will be furnished a printed exercise, which they will be required to write in stenographic notes. At the end of a stated period the printed exercises will be taken up and the competitors will transcribe their notes. This exercise will be rated on the speed with which the notes were written and the accuracy of the transcript).....	30
2. Copying from rough draft (typewriting).....	35
3. Copying from plain copy (typewriting).....	35
Total.....	100

Each applicant will be required to take both parts of the examination.

The averages in the two parts of the examination will be combined with equal weights to obtain the average percentage in the examination.

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In order to become eligible a competitor must attain a rating of not less than 70 in the subject "practice of bookkeeping," an average of not less than 70 in Part I, of not less than 50 in Part II, and not less than 70 in Parts I and II combined, with the relative weights indicated.

Two days will be required for this examination. First day, seven hours for Part I; second day, one hour for stenography, and one and one-quarter hours for the typewriting tests.

For information relative to the scope of the typewriting tests, applicants should apply for Form 1424 to the United States Civil Service Commission, Washington, D. C., or to the Secretary of the Board of Examiners, as follows: Postoffice Boston, Mass.; Philadelphia, Pa.; Atlanta, Ga.; Cincinnati, Ohio; Chicago, Ill.; St. Paul, Minn.; Denver, Colo.; San Francisco, Cal.; Custom House, New York, N. Y.; New Orleans, La.; Old Custom House, St. Louis, Mo.

Men only will be admitted to this examination.

Age limit, 18 to 40 years on the date of the examination.

Applicants for this examination may be examined at any place at which the examination is to be held, regardless of their residence.

Applications will not be accepted from those who have tuberculosis or any other serious physical defect.

This examination is open to all citizens of the United States who comply with the requirements.

In addition to the places mentioned in the list mentioned above, the examination will be held at the following-named places: Douglas, Ariz.; Harrison, Ark.; Redding and Marysville, Cal.; Salida, Colo.; Sandpoint, Idaho; Carson City, Nev.; Santa Fe, N. Mex.; Rapid City, S. Dak.; Olympia, Wash.; Rock Springs, Wyo.

Many of the places of employment are desirable from a residence standpoint. The Forest Service does not furnish either houses or subsistence. Appointees will be expected to report at places of employment at their own expense.

Existing vacancies to be filled as a result of this examination are as follows, in the national forest reserves, with headquarters as indicated: Superior Forest, Ely, Minn.; Cabinet Forest, Thompson Falls, Mont.; Custer Forest, Ashland, Mont.; Missoula Forest, Missoula, Mont.; Dakota and Sioux Forests, Camp Crook, S. Dak.; Gunnison Forest, Gunnison, Colo.; Leadville Forest, Leadville, Colo.; Montezuma Forest, Mancos, Colo.; Rio Grande Forest, Monte Vista, Colo.; Sopris Forest, Aspen, Colo.; Uncompahgre Forest, Delta, Colo.; Nebraska Forest, Halsey, Neb.; Bonneville Forest, Pinedale, Wyo.; Cheyenne Forest, Laramie, Wyo.; Hayden Forest, Encampment, Wyo.; Apache Forest, Springerville, Ariz.; Cocconino Forest, Flagstaff, Ariz.; Coronado Forest, Tuscon, Ariz.;

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Crook Forest, Safford, Ariz.; Prescott Forest, Prescott, Ariz.; Tonto Forest, Roosevelt, Ariz.; Ozark Forest, Harrison, Ark.; Alama Forest, Alamogordo, N. Mex.; Carson Forest, Antonito, Colo.; Gila Forest, Silver City, N. Mex.; Jemez and Pecos Forest, Santa Fe, N. Mex.; Lincoln Forest, Capitan, N. Mex.; Manzano Forest, Albuquerque, N. Mex.; Zuni Forest, Gallup, N. Mex.; Kanab Forest, Kanab, Utah; Caribou Forest, Idaho Falls, Idaho; Challis Forest, Challis, Idaho; Lemhi Forest, Mackay, Idaho; Minidoka Forest, Oakley, Idaho; Payette Forest, Emmett, Idaho; Sawtooth Forest, Hailey, Idaho; Targhee Forest, St. Anthony, Idaho; Humboldt Forest, Elko, Nev.; Nevada Forest, Ely, Nev.; Toiyable Forest, Austin, Nev.; Ashley Forest, Vernal, Utah; Dixie Forest, St. George, Utah; Fillmore Forest, Beaver, Utah; Manti Forest, Ephraim, Utah; Nebo Forest, Nephi, Utah; Powell Forest, Escalante, Utah; Teton Forest, Jackson, Wyo.; Wyoming Forest, Afton, Wyo.; Angeles Forest, Los Angeles, Cal.; Cleveland Forest, San Diego, Cal.; Inyo Forest, Bishop, Cal.; Lassen Forest, Red Bluff, Cal.; Modoc Forest, Alturas, Cal.; Sequoia Forest, Hot Springs, Cal.; Shasta Forest, Sisson, Cal.; Stanislaus Forest, Sonora, Cal.; Trinity Forest, Weaverville, Cal.; Mono Forest, Gardnerville, Nev.; Cascade and Siuslaw Forests, Eugene, Oreg.; Crater Forest, Medford, Oreg.; Deschutes Forest, Prineville, Oreg.; Fremont Forest, Lakeview, Oreg.; Malheur Forest, John Day, Oreg.; Oregon Forest, Portland, Oreg.; Siskiyou Forest, Grants Pass, Oreg.; Umpqua Forest, Roseburg, Oreg.; Wallowa Forest, Wallowa, Oreg.; Whitman Forest, Sumpter, Oreg.; Chelan Forest, Chelan, Wash.; Colville Forest, Republic, Wash.; Olympia Forest, Olympia, Wash.; Rainier Forest, Orting, Wash.; Snoqualmie Forest, Seattle, Wash.; Washington Forest, Bellingham, Wash.

Circular No. 134.

Application Form 304.

EXPERT ENGROSSER (MALE), \$1,200 per annum.

(POSTOFFICE DEPARTMENT.)

March 16, 1910.

The examination will consist of the subjects mentioned below, weighted as indicated:

<i>Subjects.</i>	<i>Weights.</i>
1. Spelling (twenty words of more than average difficulty).....	4
2. Arithmetic (fundamental rules, fractions, percentage, interest, discount, analysis, and statement of simple accounts).....	10
3. Penmanship (the handwriting of the competitor in the subject of report writing will be considered with special reference to the elements of legibility, rapidity, neatness, general appearance, etc.)	6
4. Report writing (test in writing in letter form a report of from 150 to 200 words in length, summarizing and arranging in logical order a series of facts included in a given statement of 400 or 500 words)	10

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5. Copying and correcting manuscript (test in making a smooth corrected copy of draft of manuscript, which includes erasures, misspelled words, errors in syntax, etc.).....	6
6. Geography and civil government of the United States.....	4
7. Practical test in engrossing	60
Total.....	100

If a competitor fails to attain a rating of at least 70 in the practical test in engrossing he will not be eligible for appointment and the other subjects will not be rated.

Five hours will be allowed for the first six subjects and two hours for the practical test in engrossing.

Each applicant must submit with his application samples showing the quality of his work in engrossing in script. Only those persons whose samples appear to indicate that they have the qualifications required of a script engrosser will be admitted to the examination.

On the subject of the practical test in engrossing the competitor will be required to make an exact copy, both in size and style, of four given lines of script, of the character most commonly used in commissions. The purpose of this examination is to test the competitor's ability to fill in the blank spaces of postmasters' commissions in the same script as is used in the printed part of the document.

The competitor should provide himself with engrossing pens and good black record ink, necessary to do the work on bond paper. The paper will be provided in the examination room.

Age limit, 18 years or over on the date of the examination.

In accordance with a recent act of Congress an applicant for this examination will be required to be examined in the State or Territory in which he resides and to show in his application that he has been actually domiciled in such State or Territory for at least one year previous to the examination.

These examinations are open to all citizens of the United States who comply with the requirements.

Applicants should at once apply either to the United States Civil Service Commission, Washington, D. C., or to the Secretary of the Board of Examiners at any place mentioned in the list (Form 1237), for application forms. No application will be accepted unless properly executed and, with the samples required, filed with the Commission at Washington. In applying for this examination the exact title as given at the head of this announcement should be used in the application.

As examination papers are shipped direct from the Commission to the places of examination, it is necessary that applications be received in ample time to arrange for the examination desired at the place indicated by the applicant. The Commission will therefore arrange to examine any applicant whose application is received in time to permit the shipment of the necessary papers.

The Government Accountant

P. O. Box 27, Main Office.
WASHINGTON, D. C.

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JANUARY 31, 1910.

Beginning with Volume III, No. 1, May, 1909, issue, a list of members of the Association of American Government Accountants, previously published monthly, has been omitted, and in its place there will be issued once a year, in the last number of each volume, a list containing complete records of the membership roll of the Association and its allied organizations. It is also contemplated making of this number a comprehensive compendium of Governmental Accountants' Associations information, including full text of the latest constitution of each, and such other data as to past happenings and future programs as will constitute a permanent, handy reference volume, revised annually.

The demand from all quarters for separate copies of the key-chart to Governmental statistical publications, which appeared in the October, 1909, issue, has made a reprint of the same advisable, and we take pleasure in announcing to our many friends and subscribers that copies may be had at five cents (5c) each, in lots of 20 or less. The chart seems to have supplied a long-felt want in colleges and public libraries.

The Public Officials' Magazine, a monthly magazine devoted to the news of the public officials of Indiana, has made its initial appearance with the January, 1910, number, which contains 128 pages of useful and valuable information in the shape of addresses and essays on topics of vital interest to all Governmental employees, with especial reference to State and Municipal work. The purpose of this publication is a good one, since interchange of experiences and opinions among State officials produces a healthy desire to profit by the experiments

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of others and inevitably leads to higher standards, greater uniformity of methods and practices, and avoids useless expense by simultaneous trials of any scheme in similar fields. We hope to see many other States follow the lead of Indiana, and extend our greatest good wishes to the newcomer.

On the next two pages we present two self-explanatory tables prepared by the Secretary of the Association of American Government Accountants from the latest official register. It was found impossible to include the army and navy members in these tables, since their pay, when serving in departmental positions, is governed by "Pay of Rank" and cannot be accurately calculated with the information at hand. The average annual compensation of the members belonging to the military and naval establishments is certainly considerably above the average shown in our tables for all other members in the Federal service.

The general distribution throughout the service of the active roll, which was established last May, is a very gratifying indication. Its stronghold, as might be expected, is found in the Interstate Commerce Commission, where the proposal for its establishment had its inception, but it is earnestly hoped that the accounting offices of the Treasury Department and such offices as the Bureau of Supplies and Accounts in the Navy Department, where are found a large number of high-grade accountants, paymasters, disbursing officers and the like, will forge ahead and assume their proper positions as leading spirits in the Association.

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MEMBERS OF THE ASSOCIATION OF AMERICAN GOVERNMENT ACCOUNTANTS.

TABLE I. FEDERAL SERVICE, BY DEPARTMENTS.

JANUARY 1, 1910.

	Charter	At Large (f)	Active	Associate	Total
Department of State.....	2		1	4	5
Treasury Department (a).....	10	3	1	16	17
Division of Bookkeeping and Warrants..	4			6	6
Comptroller of Treasury.....	6		2	4	6
Auditor for Treasury Department.....	5		3	5	8
Auditor for War Department.....	8		1	15	16
Auditor for Interior Department.....	10		2	24	26
Auditor for Navy Department.....	5			5	5
Auditor for State and other Departments.	6			10	10
Auditor for Postoffice Department.....	19		1	25	26
Treasurer, United States.....	6	1		6	6
Comptroller of Currency.....	3			3	3
Internal Revenue.....	2			6	6
Department of War (b).....	19	2	2	23	25
Department of Justice.....	2		2	1	3
Postoffice Department.....	12	2		14	14
Navy Department.....	2		1	5	6
Department of the Interior (c).....	10	1	1	13	14
U. S. Geological Survey.....	4			7	7
U. S. Reclamation Service.....	8	18	4	23	27
Department of Agriculture (d).....	6		1	8	9
U. S. Forest Service.....	8	4		10	10
Department of Commerce and Labor (e)...	7	1	5	14	19
Bureau of the Census.....	6		2	12	14
U. S. Coast and Geodetic Survey.....	4			4	4
Smithsonian Institution.....	2			2	2
Bureau of American Republics.....				1	1
Interstate Commerce Commission.....			27	2	29
Civil Service Commission.....	1			1	1
Government Printing Office.....	1			3	3
Nat'l Home for Disabled Volunteer Soldiers.		1	1		1
Isthmian Canal Commission.....	8	7	1	15	16
Government Hospital for Insane.....	1		1		1
Government, District of Columbia.....	15		3	14	17
Public Schools.....			1	5	6
Military and Naval Establishments.....	6	17	2	24	26
Government, Porto Rico.....	1	1		1	1
Totals.....	209	58	65	331	396

(a) Includes Bureau of Engraving and Printing, Customs Service, Revenue Cutter Service, Life Saving Service, Division of Appointments, and Office of Supervising Architect.

(b) Includes Bureau of Insular Affairs, Ordnance Office, Engineer's Office, Office of Quartermaster General, Office of Adjutant General, Office of Surgeon General, and Office of Commissary General.

(c) Includes General Land Office, Pension Bureau, and Bureau of Indian Affairs.

(d) Includes Division of Accounts, Bureau of Chemistry, Office Experiment Stations, and Bureau of Plant Industry.

(e) Includes Bureaus of Standards, Immigration and Naturalization, Labor, Corporations, and Navigation, and Lighthouse Board.

(f) Includes Alaska, Hawaii, Porto Rico, Canal Zone, Philippines, and 28 States and Territories; viz. Alabama, Arizona, California, Colorado, Idaho, Illinois, Iowa, Kansas, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New Mexico, New York, North Dakota, Oregon, Pennsylvania, Rhode Island, South Carolina, Utah, Virginia, and Washington.

The Government Accountant.

MEMBERS OF THE ASSOCIATION OF AMERICAN GOVERNMENT ACCOUNTANTS.

TABLE II. FEDERAL SERVICE, SALARY CLASSIFICATIONS. a

JANUARY 1, 1910.

Rate of Pay (b)	ACTIVE		ASSOCIATE		TOTAL	
	Number of Members	Aggregate Salary	Number of Members	Aggregate Salary	Number of Members	Aggregate Salary
Per annum \$900....			2	\$1,800	2	\$1,800
1,000....			7	7,000	7	7,000
1,100....			1	1,100	1	1,100
1,200....	5	\$6,000	27	32,400	32	38,400
1,260....			1	1,260	1	1,260
1,300....	1	1,300	1	1,300	2	2,600
1,320....	3	3,960	1	1,320	4	5,280
1,350....			1	1,350	1	1,350
1,380....	3	4,140	1	1,380	4	5,520
1,400....	5	7,000	37	51,800	42	58,800
1,440....			1	1,440	1	1,440
1,500....	5	7,500	7	10,500	12	18,000
1,560....			1	1,560	1	1,560
1,600....	3	4,800	40	64,000	43	68,800
1,620....	1	1,620	1	1,620	2	3,240
1,650....	1	1,650			1	1,650
1,700....			2	3,400	2	3,400
1,740....			1	1,740	1	1,740
1,800....	2	3,600	72	129,600	74	133,200
1,860....	4	7,440	2	3,720	6	11,160
1,980....	1	1,980	3	5,940	4	7,920
2,000....	7	14,000	33	66,000	40	80,000
2,100....	2	4,200	6	12,600	8	16,800
2,200....			3	6,600	3	6,600
2,220....	2	4,440			2	4,440
2,250....	2	4,500	5	11,250	7	15,750
2,400....	3	7,200	4	9,600	7	16,800
2,500....	2	5,000	14	35,000	16	40,000
2,520....	1	2,520			1	2,520
2,640....			1	2,640	1	2,640
2,700....	2	5,400			2	5,400
2,750....	1	2,750	1	2,750	2	5,500
2,780....	1	2,780			1	2,780
3,000....	4	12,000	5	15,000	9	27,000
3,120....	1	3,120			1	3,120
3,200....			1	3,200	1	3,200
3,500....			1	3,500	1	3,500
3,600....			2	7,200	2	7,200
4,000....	2	8,000	3	12,000	5	20,000
5,000....	1	5,000	2	10,000	3	15,000
6,000....			3	18,000	3	18,000
7,000....			1	7,000	1	7,000
7,500....			1	7,500	1	7,500
7,860....			1	7,860	1	7,860
Totals.....	65	\$181,880	296	\$561,930	361	\$693,810
Average per member..		2,029		1,898		1,922

(a) Excluding members in military and naval establishments drawing pay of rank, members drawing per diem compensation, members in State and Municipal service, and affiliated members.

(b) Compiled from Official Register, 1909.

Association of American Government Accountants

Organized November 14, 1906.

Post Office Box 27, Main Office, Washington, D. C.

OFFICERS AND COMMITTEES.

Elected at the annual meeting held May 27, 1909, to serve for one year.

Officers.

Le Grand Powers, President. (Bureau of the Census.)
Alonzo Tweedale, Vice President. (Municipal Building, D. C.)
James L. Wilmeth, Treasurer. (Treasury Department.)
E. S. Hobbs, Secretary. (Interstate Commerce Commission.)

Standing Committees.

The Chairmen of these committees are Trustees, and together with the officers form the Board of Trustees.

Editorial.

J. P. Muller, Chairman. (Interstate Commerce Commission.)

Finance.

Theo. L. De Land, Chairman. (Treasury Department.)

Membership.

C. W. Barry, Chairman. (War Department.)

Lectures and Meetings.

Alonzo Tweedale, Auditor for the District of Columbia.

Library.

Samuel J. Barclay, Chairman. (Interstate Commerce Commission.)

Education.

Noble Newport Potts, Chairman. (Department of Commerce and Labor.)

OBJECTS OF THIS ORGANIZATION:

1. To unite in one organization employes of the Federal, State and Territorial Governments of the United States of America, and of the District of Columbia, including Municipal Officers and employes of City Governments having control of or participation in accounting, including the subjects of appointment, purchase, and issue or sale, collecting and disbursing, examining and auditing, bookkeeping, statistical and actuarial subjects.

2. To encourage and facilitate the adoption of economical, expeditious, progressive, and uniform methods in handling the accounting features of the fiscal operations of the Government.

3. To provide means for the technical education and independent study of its members.

First. By promoting and encouraging the study and discussion of questions of advanced and practical accounting and adaptations and improvement of methods.

Second. By originating and disseminating original essays and papers concerning the theory, law, and practice of accounting, and encouraging the expression of individual opinion on controverted points.

Third. By providing occasional addresses on particular features of accounting, either governmental or commercial, by persons outside the Association having expert technical knowledge and experience.

Fourth. By providing a library and a catalogue of the works on accounting and kindred subjects at present available in various local libraries.

Fifth. By advocating systematic instruction in accounting and administration in schools and colleges.

MEMBERSHIP:

The membership of this Association shall consist of three classes, Associate, Active, and Affiliated.

1. Associate Members: All Government employes whose titles or duties are those of accountant, actuary, auditor, statistician, bookkeeper, cashier, chief of division of accounts, comptroller, disbursing officer, examiner, inspector, law clerk, or purchasing agent, and generally all those having to do with the initiation, approval, settlement, audit, and record of fiscal transactions, as well as the Government Examiners for Banking, Insurance, Transportation or Public Service Corporations, are eligible for associate membership in the Association.

2. Active Members: Such persons as shall have been satisfactorily tested as to their qualifications shall become eligible for active membership in this Association.

3. Affiliated Members: Such persons as are, or may have been, in the Government service, and are actively interested in the subject of accounting, and whose attainments in that line are such as to merit such recognition, are eligible for affiliated membership in this association.

Association of American Government Accountants

Organized November 14, 1906

Post Office Box 27, Main Office, Washington

APPLICATIONS FOR MEMBERSHIP.

All applications by mail, for enrollment as Active, Associate or Affiliated Member should be addressed to the Secretary, P. O. Box 27, Main Office, Washington, D. C., for transmission to the respective committees.

MEMBERSHIP DUES.

payable annually in advance for

Active Membership.....\$5.00

Associate Membership..... 2.00

Affiliated Membership..... 2.00

including one year's subscription to the Association's official organ. This subscription is not compulsory, and any member not wishing to be served with the magazine, may retain membership by deducting \$1.50 p. a. from his assessment, contributing to the General Fund of the Association only.

PUBLIC MEETINGS.

The Association of American Government Accountants is scheduled to meet at the hall of the Public Library, 8th and K Streets, N. W., Washington, D. C., on the first and third Monday in December, 1909, January, February, March and April, 1910.

FEBRUARY 7, 1910.

Mr. J. P. Muller, Editor of the Government Accountant, will present a historical sketch of: Accounting, Bookkeeping and Statistics.

National Association of Comptrollers and Accounting Officers

Organized February 14, 1906

Office of the Secretary, 280 Broadway, N. Y., Rooms 155-157

OFFICERS, 1909-1910.

**Alonzo Tweedale, President, Auditor District of Columbia,
Washington, D. C.**

**Howard C. Beck, First Vice-President, Public Accountant,
Detroit, Mich.**

**Richard M. Chapman, Secretary, Certified Public Accountant,
Department of Finance, New York City.**

S. M. Wilhite, Treasurer, Comptroller, Louisville, Ky.

VICE-PRESIDENTS, 1909-1910.

Frederick W. Carey, Auditor, Sacramento, Cal.

William McK. Evans, Accountant, Richmond, Va.

W. S. McCormick, Comptroller, Duluth, Minn.

J. H. Hansbrough, Comptroller, Tampa, Fla.

C. O. Lobeck, Comptroller, Omaha, Neb.

Edward E. Phelps, Chief Accountant, Pittsburg, Pa.

Edward Stetson Griffing, Comptroller, New Rochelle, N. Y.

OBJECTS OF THE ASSOCIATION:

"The consideration of improved methods of public finance and the extension of the movement for the installation of a uniform system of State and municipal accounting and reporting throughout the United States, and the promotion of legislation towards these ends."

MEMBERSHIP QUALIFICATIONS.

"All comptrollers, auditors or other accounting or fiscal officers of cities, counties and States in the United States shall be eligible to membership in the Association. Accountants regularly engaged in State and municipal accounting shall also be eligible to membership."

"Each member shall be entitled to a copy of the bound volume of the proceedings of the annual or other conventions of the Association, and to all bulletins or other special publications issued by the Association for the information and benefit of its members."

The cost of membership in the Association is Ten Dollars per annum.

Accountants' Association of the Interstate Commerce Commission

Organized May 5, 1908

1311 G Street N. W., Washington, D. C.

OFFICERS AND COMMITTEES.

Elected at the annual meeting held April 12, 1909, to serve for one year.

OFFICERS.

Fred W. Sweney, President.
Russell H. Snead, Vice-President.
Arnold C. Hansen, Secretary.
Edward D. Myers, Assistant Secretary.
Walter V. Wilson, Treasurer.
Charles V. Burnside, Assistant Treasurer.

STANDING COMMITTEES.

Executive.

Clifton F. Balch, Chairman. George M. Curtiss.
Walter E. Burleigh. W. C. Sanford.

Program.

David E. Brown, Chairman. August G. Gutheim.
John Cruickshank. Gaston C. Hand.

Entertainment.

S. L. Lupton, Chairman.
Lewis A. Bell. William P. Bird.
C. V. Conover. Frank M. Swacker.

OBJECT:

The object of this Association shall be the discussion of topics of common interest, the promotion of efficiency and sociability among members and such other objects as may be approved by the Interstate Commerce Commission.

MEMBERSHIP:

The active membership of this Association shall be confined to Examiners, or other persons of a grade equivalent to Examiners, who are employed in the Bureau of Statistics and Accounts.

Any employee of the Interstate Commerce Commission may be elected to honorary membership.

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2. The **RAILWAY EARNINGS SECTION**, issued monthly, containing the sworn returns of earnings and expenses filed each month with the Inter-State Commerce Commission. Each new number contains an additional month's figures. Embraces every steam operating road in the country doing an inter-State business.

3. The **STATE AND CITY SECTION**, of 196 pages, issued semi-annually in May and November, containing among other things about 3,000 detailed reports of the indebtedness and general financial condition of States, Counties and Cities; also digests of laws relating to investments by Savings Banks, &c.

4. The **ELECTRIC RAILWAY SECTION**, of 128 pages, issued in February, June and October, containing complete description of the Electric and Street Railways throughout the country, their stock, dividends, bonded indebtedness, earnings, &c., &c.

5. The **BANK AND QUOTATION SECTION**, a monthly publication of 68 pages, issued the first week in each month, giving the most complete and comprehensive tables of Quotations ever issued, embracing prices of Railroad Bonds and Stocks, Bank and Trust Company Stocks, Municipal Securities, Street Railway Stocks and Bonds and Industrial and Miscellaneous Securities.

6. The **BANKERS' CONVENTION SECTION**, issued yearly, giving the detailed proceedings of the annual convention of the American Bankers' Association—not alone the general convention, but also the Trust Company Section and the Savings Bank Section.

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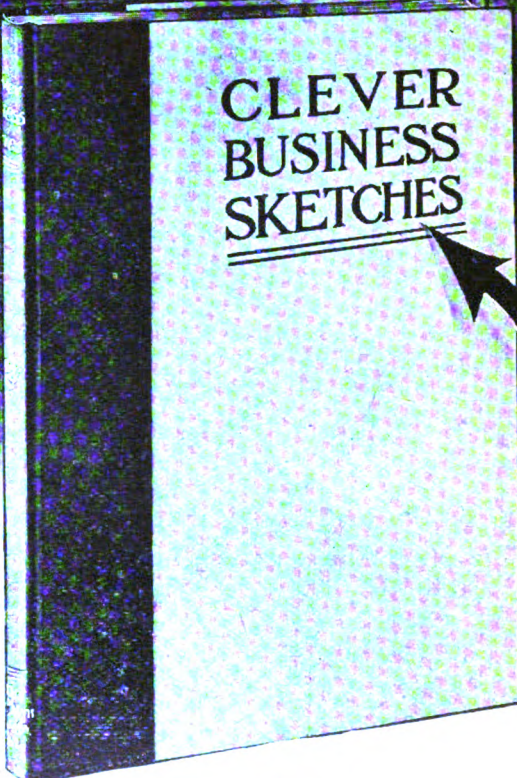
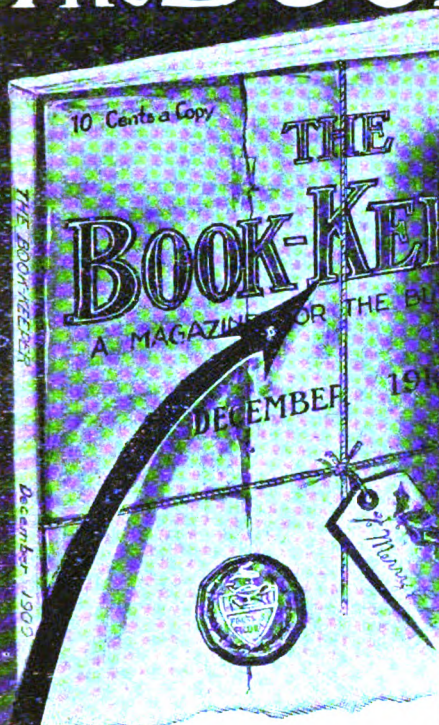
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The Government Accountant

VOL. 3

FEBRUARY, 1910

NO. 10

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BY RICHARD M. CHAPMAN
(PART VII.)

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THE OFFICIAL MAGAZINE OF
The Association of American Government Accountants

PUBLISHED BY THE ASSOCIATION

P. O. Box 27, MAIN OFFICE, WASHINGTON, D. C.

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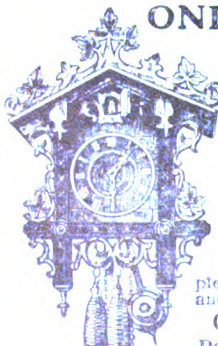
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The Government Accountant

P. O. BOX 27, MAIN OFFICE
WASHINGTON, D. C.

J. P. Muller, Editor

ASSOCIATE EDITORS

Richard M. Chapman

B. F. Harrah

Norman E. Webster, Jr.

FEBRUARY 28, 1910.

For the benefit of our ever-increasing host of subscribers, and as an inducement to others interested in Bookkeeping, Accounting, Auditing and Statistics, who are not yet subscribers to THE GOVERNMENT ACCOUNTANT, we have arranged for Special Club Offer Rates with a number of leading magazines, which should prove attractive.

The combinations on next succeeding page represent the various grouping of five publications which together form our

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All rates and combinations here given are subject to withdrawal or change from month to month; orders should therefore be mailed promptly to reach us before the following issue of THE GOVERNMENT ACCOUNTANT is distributed.

OUR LEADING COMBINATION OFFERS!

(SEE ALSO PRECEDING PAGE.)

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No. 5.		No. 6.	
Everybody's	\$1.50	Bookkeeper	\$1.00
Government Accountant	1.50	Delineator	1.00
Total	\$3.00	Total	\$3.50
Our price	2.00	Our price	2.50

No. 7.		No. 8.	
Bookkeeper	\$1.00	Bookkeeper	\$1.00
Delineator	1.00	Everybody's	1.50
Everybody's	1.50	Government Accountant	1.50
Total	\$3.50	Total	\$4.00
Our price	2.50	Our price	2.75

No. 9.		No. 10.	
Bookkeeper	\$1.00	Everybody's	\$1.50
World's Work	3.00	Delineator	1.00
Total	\$4.00	Total	\$4.00
Our price	3.00	Our price	3.00

No. 11.		No. 12.	
Bookkeeper	\$1.00	Bookkeeper	\$1.00
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World's Work	3.00	Government Accountant	1.50
Total	\$5.50	Total	\$5.50
Our price	3.75	Our price	4.00

No. 13.		No. 14.	
Bookkeeper	\$1.00	Everybody's	\$1.50
Everybody's	1.50	World's Work	3.00
Delineator	1.00	Government Accountant	1.50
Government Accountant	1.50	Total	\$6.00
Total	\$5.00	Our price	4.00
Our price	4.00		

No. 15.		No. 16.	
Bookkeeper	\$1.00	Bookkeeper	\$1.00
Everybody's	1.50	Everybody's	1.50
Delineator	1.00	World's Work	3.00
World's Work	3.00	Government Accountant	1.50
Total	\$6.50	Total	\$7.00
Our price	4.50	Our price	4.75

No. 17.	
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4.00	Country Life in America	4.50	5.00	5.25	6.00
3.00	Current Literature....	4.30	4.80	5.05	5.80
1.50	Etude (Music Lovers) .	3.05	3.55	3.80	4.55
1.50	Garden	3.15	3.65	3.90	4.65
1.25	Good Housekeeping....	3.00	3.50	3.75	4.50
1.50	Hampton's	3.05	3.55	3.80	4.55
1.25	Harper's Bazar	3.00	3.50	3.75	4.50
4.00	Harper's Magazine	5.55	6.05	6.30	7.05
4.00	Harper's Weekly	5.55	6.05	6.30	7.05
3.00	Independent	3.55	4.05	4.30	5.05
2.50	Lippincott's	3.80	4.30	4.55	5.30
1.50	Metropolitan	3.05	3.55	3.80	4.55
.75	Modern Priscilla (Needlework)	2.55	3.05	3.30	4.05
1.50	Musician	3.05	3.55	3.80	4.55
3.00	Outing	4.30	4.80	5.05	5.80
3.00	Outlook	4.80	5.30	5.55	6.30
1.50	Pacific Monthly	2.80	3.30	3.55	4.30
1.50	Pearson's	2.75	3.25	3.50	4.25
1.00	Pictorial Review	2.75	3.25	3.50	4.25
3.00	St. Nicholas (new)....	3.55	4.05	4.30	5.05
3.00	Scribner's	4.75	5.25	5.50	6.25
3.00	Smart Set	3.55	4.05	4.30	5.05
3.00	Suburban Life	4.30	4.80	5.05	5.80
1.00	Success	2.75	3.25	3.50	4.25
1.50	Sunset	3.05	3.55	3.80	4.55
1.50	Technical World	3.05	3.55	3.80	4.55
1.50	Travel	3.05	3.55	3.80	4.55
1.50	Van Norden	2.75	3.25	3.50	4.25
1.50	World To-Day	3.05	3.55	3.80	4.55

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1912.

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Municipal Budgets and Expenditures.

BY DR. LEGRAND POWERS, Chief Statistician, Bureau of the Census

This is the era of constitutional and democratic government. Everywhere the people are coming to have an increasing voice in the management of their common affairs, the most important of which are those relating to the collection and expenditure of money. The Magna Charta of English liberty which the barons wrested from King John at Runnymede has as its most important sections those which guaranteed to Parliament the control over the public purse. Since the granting of that charter of Anglo-Saxon liberty, English-speaking nations have led in the world movement for constitutional and democratic government by securing for the masses of their people an ever-increasing power over public revenue, public taxation, public expenditure, and public indebtedness. Free institutions have been established, just laws enacted, honest and efficient enforcement of old laws secured, and reform of earlier governmental abuses brought about only as the people, rather than any select few, have come to exercise control over governmental finances.

In some respects the control secured by the people of Great Britain over governmental finance is more perfect than that exercised by the citizens of any other country. That control in Great Britain is realized through what is known as "the budget," which is the designation employed in speaking of a statement of public revenue and expenditure for the ensuing year, with financial proposals founded thereon, which is annually submitted by the Chancellor of the Exchequer on behalf of the ministry, for the approval of the British House of Commons. In making this statement to Parliament, the Chancellor presents an estimate of the probable income and expenditure for the following twelve months, and sets forth a statement of the general financial policy of the government,

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including a declaration of the old taxes which it is intended to reduce, abolish, or increase, or what new ones it may be necessary to impose.

The term "budget," which had its first use in Great Britain as above set forth, has in more recent years been applied in the financial administration of our American cities to statements of municipal revenues and expenditures, whether partial or complete, which are made the bases of general appropriation ordinances. The end sought by these so-called American municipal budgets is identical with that realized by the British national budget. It is to assist in securing and enforcing popular control over municipal finances. Before our cities fully realize this end, their financial administration must undergo a number of changes, as has that of the British national government. The struggle with King John at Runnymede was to take the control of the English finances from the King and vest it in the barons. Later struggles, whose results are embodied in the constitutional practices of the kingdom, have wrested that control from the modern representatives of the barons—the House of Lords—and given it to the House of Commons, and through that House to the masses of the British people. In the course of centuries that control has developed from a nominal into an actual one; and cabinets without number have fallen, and many Parliamentary elections have been called upon issues raised by the terms of budgets submitted by the Chancellors of the Exchequer; and sooner or later every Parliament must give way to a successor, if the ministry does not embody the popular wish in its budgets. In this connection it should be further noted that great constitutional reforms have frequently been secured through the adoption or rejection of proposed budgets, and during the present year the British people are, by the financial proposals of the Honorable Lloyd-George, brought face to face with a political, economical, and social revolution that is as great as those resulting from the acts of the barons at Runnymede, or Cromwell at Marston Moor, or the Reform Parliament of 1830.

Turning from the British Government to the governments of our American cities, we note, first, that the differences between the British Imperial Government and those of our American cities are not such as naturally and inevitably preclude the possibility of making municipal budgets as effective for good government and for popular control over fiscal affairs as the British budget is for securing such control over national finances; and, second, the American city budget, as at present framed, is an instrument far removed from the British budget in form, and is made to serve purposes quite foreign to those obtained by its prototype, as set forth above.

In theory, at least, the people of our American cities, other

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than Washington, have control over their finances. Appropriations are made by a single- or double-chambered city council, which theoretically represents the people. But budgets and appropriations when prepared are generally so arranged that the average citizen can form no intelligent judgment with reference to the wisdom or expediency of any of the financial proposals. As a result, the ordinary American municipal budget and the average annual appropriations of our American cities represent no popular control over municipal finances, but the control of a select few, acting in such a way that they are practically not responsible to any one for their acts. In the majority of our larger cities, the municipal budget and municipal appropriations embody the wishes and judgment of a small quota of irresponsible bosses, rather than the wishes and judgment of the people. In like manner, the appropriations of the city of Washington represent the wishes and judgment of a small circle of Congressmen, and seldom could secure the intelligent support of the majority of the business men of that city. The financial situation in Washington is generally conceded to be a negation of the theory of constitutional and democratic government; and yet, I am firmly convinced that it is no more so than the corresponding situation in other cities.

The highest type of a city, as of national government, must be a government which makes budgets and appropriations, reflect the enlightened judgment of all the people, and not that of a privileged few, whether Congressmen or city bosses. In the average American city the people are becoming aroused to this fact, and are trying to put curbs and checks upon the unlimited powers of the bosses who have usurped authority in the premises, and who now exercise their own sweet will in all matters relating to finances. In like manner the people of Washington are eagerly considering plans for securing a greater control over the scope and limit of public expenditures. To accomplish the results mentioned is as important, in my opinion, for the cities of the present as was the control over their finances which the barons wrested from King John so long ago.

But how shall these ends be accomplished? How shall the citizens of our ordinary cities wrest the control over their financial affairs from the city bosses? And how shall Congress be made responsible to the wishes of the citizens of Washington? Basing my reply upon the financial history of our English-speaking peoples, I will say that the result will be accomplished only as the financial statements of our cities called "budgets" are made budgets in fact as well as in name. They must be made complete exhibits of all facts relating to public revenue, taxation, expenditure, and debts, expressed in terms which the masses fully understand.

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Incomplete budgets must be displaced by complete ones, and financial proposals, whose significance no one but a select few can understand, must give way to those whose import can be grasped by any fairly-intelligent person.

The British national budget always has three complete, analytical and detailed statements: (1) of all proposed expenditures for the ensuing fiscal year; (2) of all expected revenues for that year, and (3) of all loans that will be required in addition to the revenue to meet the expenditures. In contrast to the foregoing, a study of the so-called budgets of our American cities discloses the fact that with few notable exceptions they fall far short of the standard of the British National Government. The great majority are either incomplete, without analysis or detailed exhibits, or are incomprehensible save to a select few; and some of them embody all of the imperfections mentioned. I will first speak of the most striking of these defects—their incompleteness as statements of municipal financial condition and administration.

In this connection I will give but a word to the financial program of those among our cities that do not assume even to have a budget. The council of such cities at the beginning of the year makes a tax levy of a certain number of mills on the dollar and apportions the proceeds of such levy and other revenue receipts in fixed proportions between the several departments. Subject to the limitations of the percentages of revenue assigned them, there is not even a nominal popular control over the financial transactions. Such policy of administration takes us back in British affairs to the days of Charles and Cromwell, and suggests quite forcibly the need of arousing public spirit and the introduction of something approaching business methods in administering municipal affairs.

The budgets of the great majority of American cities that make a pretense of conducting governmental affairs on a business basis, and which pass appropriations in stated amounts for specified purposes or objects, fall short of the British national standard in a number of particulars. Their principal defects are their incompleteness and their lack of systematic arrangement, and thus of lucid or intelligible presentation. These defects will be considered in the order here mentioned.

A few, and only a very few, of our cities embody a complete exhibit of their administrative program for a given year in their financial proposals, or so-called budgets, submitted as the basis of the year's appropriations. These cities bring into one statement estimates of their expenditures for the coming year for all purposes, whether for departmental maintenance or permanent structures and improvements. Such statements, whether constructed along intelligible lines or otherwise, show the relation of revenue to ex-

penditures, and the effect of the proposed financial transactions of the year upon the municipal credit or indebtedness. They disclose whether the expenditures must be met in part by the issue of bonds or by other forms of credit, or whether the end of the year will find the city's indebtedness decreased, or its available resources increased.

In contrast with the foregoing, the average American city, if it prepares estimates of the costs of government for the ensuing year, prepares them in sections and acts upon them at different times, so that the general public cannot from any single proposal before the city council form a correct opinion upon any of the points specified. The cities whose financial proposals are the most defective in these particulars are those which introduce and pass the revenue appropriation bills, or appropriations for departmental expenses, in a number of sections. In such cities the proposed expenditures for the department first considered in council proceedings cannot be considered in their relation to the needed expenditures for other departments, or to the effect of current appropriations upon tax rates. The minds back of the curtain that direct the shifting of the scenes and shape appropriations for all departments may know what effect will result, but the people at large can gain no knowledge upon which to base intelligent protest or approval until approval or protest in the premises becomes too late.

This method of submitting estimates and making revenue appropriations tends inevitably to departmental favoritism. The department to be favored will have its appropriations considered first, at a time and under conditions such that the effect of wasteful grants and the relation of all grants to tax levies and to debt cannot be clearly seen. To enable public opinion to take form as a controlling power over governmental expenditures, all departmental estimates, including the estimates for outlays as well as for expenses, must be considered at the same time and reviewed in their relation to the tax rate and public debt.

The most common of the divided financial municipal estimates or proposals, such as are here mentioned, are those which separate expenditures to be met from revenue, from those to be met from the proceeds of bond issues. This division of the financial proposals and estimates is very common among the cities of the United States which are rapidly increasing their funded debt. To one division of the appropriation they generally give the designation "budget" or "budgetary." A more appropriate name would be "revenue appropriations," since they are appropriations to be met from revenue. These appropriations may be embodied in a single ordinance, as in New York City, or in a half dozen distinct and separate ordinances, as in some other cities. The great

defect and the resulting evils which follow the separation of revenue appropriations into several sections acted upon by separate ordinances have already been noted. The separation of appropriations to be met from revenue from those to be met from bond issues differs in extent, but not in principle, from the division of the revenue appropriations into groups to be acted upon at different times and without reference one to the other. It prevents the concentration of the attention of the masses upon questionable appropriations. This result of separating revenue from bond appropriations is felt in all cities in which the provision of the charter or of general statutes does not compel a referendum vote upon all bond issues. Where such referendum is required, the separation mentioned, instead of working mischief, generally secures an added popular supremacy and control over revenue as well as bond appropriations.

The ordinary revenue appropriation, generally called "budget appropriation," comes closer to the British budgetary standard of completeness when passed in one division than when enacted in a number.

But even the single revenue appropriation ordinance of American cities seldom contains complete provisions for all the expenditures that are fittingly called "revenue." As a rule, it commonly provides for meeting from 90 to 95 per cent of the current costs of maintaining the departments and public service enterprises—costs which the Bureau of the Census, following the general usage of commercial accountants, calls "expenses." They also generally provide for meeting all sinking fund requirements, and all special debts which fall due in the current year, and whose liquidation is not met by sinking fund assets, but leave at least 10 per cent of the current expenses unprovided for.

Thus, New York, in its so-called budget for 1908, which had a total of \$140,572,266 of appropriations, included in that total \$100,129,000 for meeting departmental expenses, and \$8,368,000 for liquidating so-called "special revenue bonds." The latter appropriation was made necessary by departmental expenses for the preceding fiscal year, not provided for by the general financial appropriation of 1908. Here is a failure to include over 8 per cent of the current costs of departments in the appropriations for the year for which those costs are incurred. The possible evil or mischief of this practice may be noted by the following fact: By this method of preparing financial proposals, many large appropriations for meeting current expenses are made when there is no public discussion or even general knowledge of the budget. This practice allows political bosses to grant favored branches of the service larger amounts than appear on the surface, and never permits any ready and accurate statement to be made from the appropria-

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tions of the actual and relative costs of any of the branches of the service.

But New York City is not a sinner above all others in the matter of additional or supplemental appropriations. The great majority of cities which permit large appropriations for deficiencies and meet the same by revenue bonds, revenue warrants, or other means, must be placed in the same list.

Budgets should be honest exhibits of the plans of the administration. They cannot be honest until they are full, complete, and explicit; until they are such, they are like all other deceptive statements—the agents of dishonest, inefficient and wasteful government. To make budgets the agents of good and efficient government, they must be exhibits of all the expenses which administrative officers are expected to incur (but not to exceed) during the ensuing fiscal year. In Great Britain, save in extraordinary emergencies as a great war, there are no appropriations that are not “budget appropriations.” The budget is a statement of all desired or contemplated appropriations or expenditures for the ensuing year. The people in discussing it are considering all the costs of government for a year. From a lucid and intelligible presentation of such a budget (such as Gladstone was accustomed to make, and such as the Honorable Lloyd-George made this year) the people can form an intelligent opinion concerning the relation of the budgetary provisions to their own interests, wishes and expectations. But what ordinary citizen, from a budget such as is presented by the average American city, can form an intelligent judgment concerning the effect of the municipal expenditures upon public debt, or the relative merit of expenditures for any branch of the service? The only persons who can form such an opinion are those in the secret councils of the reigning powers that be.

This brings me to a consideration of a second characteristic which must be embodied in municipal budgets if they, like the British national budget, are to be made efficient instruments for securing popular control over the administration of governmental finance. The British budget is not only a complete statement of all proposed expenditures and revenues for the ensuing fiscal year, and thus an exhibit also of the effect of current financial transactions upon public debt; it is an analytical and lucid statement of such expenditures, revenues and debt. The city budgets, if they are to be made anything more than the plaything of city bosses to fool the people, must be not only complete, but also analytical and intelligible statements of the fiscal policy of the municipal administration, of the actual and relative costs of administering each and all of the departments and financial activities, and of the effect of expenses, interest charges and outlays, upon

municipal debt and public credit. They must further be complete as well as lucid statements of that policy, costs, etc.

You have doubtless all heard the old story of Dean Swift and the sailor, wherein it is narrated how the Dean had explained to the sailor the two great fundamental requirements of the Christian and the good man of every faith. The Dean had declared that the Christian must be at once prayerful and watchful; and however prayerful he might be, he could not be classed as a Christian unless watchful; nor could he be called Christian if watchful unless prayerful. If you have heard the story, you doubtless remember how the sailor induced the Dean to say the Lord's Prayer; first, as ordinarily repeated, and later backward from "Amen" to "Our Father;" and while the Dean was busy with the prayer in the latter form, the sailor drank up the wine which the Dean had ordered for himself. You will further recall the fact that the sailor when asked for an explanation of the absence of the wine, said: "Sorry to say it, Dean; but say it I must. You do not understand your business. You prayed all right, but forgot to watch, and I drank your wine." So, in this matter of budgets: They must be lucid as well as complete, and complete as well as lucid statements; and those that possess one of these qualities and not the other fall as far short of what they should be as does the Christian who is not at once prayerful and watchful.

I have called your attention to some budgets which are incomplete and incomprehensible statements of proposed expenditures. Permit me in passing to call your attention to the very lucid but incomplete statement which the Comptroller of New York City prepared to accompany the late budget of that city. That statement is embodied in a pamphlet containing comparative tables, classifying and grouping revenue appropriations for a series of years. It is a complete and lucid statement of over 90 per cent of the revenue appropriations, and yet is not a complete exhibit of to exceed 70 per cent of the total costs of government for a single year. The Comptroller's explanatory exhibit of this limited portion of the year's expenditures is the clearest and best of its kind that the speaker has seen accompanying American municipal revenue, or other estimates for appropriation. The principles underlying the Comptroller's exhibits are those which the speaker wishes to commend; and yet the clearness of statement with reference to 90 per cent of the revenue appropriation, or 70 per cent of the total appropriation, cannot be accepted as a substitute for completeness and lucidity for every feature. We must make our budgets clear and intelligible and also complete, and complete as well as intelligible.

A statement of municipal expenditures and budgetary proposals for expenditure, to be intelligible, must be an ex-

hibit of those expenditures classified according to functional activity. That classification must follow along the general lines pointed out by Wagner and other German students of governmental finance. It must embody the results of the studies of American students in the same field, as those studies are gathered into the scheme promulgated several years ago by the National Municipal League for uniform accounts and reports of cities, and later made the basis of the schedules and reports of the Bureau of the Census relating to the financial transactions and conditions of cities having a population of over 30,000.

In a general way the principles underlying the classification referred to have been approved by the League of American Municipalities, the National Association of Comptrollers and Accounting Officers, and all of the State and other local associations and organizations of city officials in the United States and Canada, as well as all our leading students and teachers of public finance and municipal administration. In a general way they are embodied in the explanatory exhibit of the New York City Comptroller accompanying his revenue budget, to which attention has already been called.

The National Municipal League, the League of American Municipalities, the National Association of Comptrollers and Accounting Officers, and a number of other organizations have in more recent years committed themselves to the idea of uniform municipal budgets classified along the lines accepted for the proposed scheme of uniform accounts and reports. The publication by the United States Bureau of the Census during the past six years of uniform, classified reports of municipal transactions and indebtedness has demonstrated a number of things concerning municipal administration. It has shown the power of intelligent criticism and the value of comparative statements of the costs of government in different cities in checking useless and wasteful departmental appropriations and in increasing appropriations that are calculated to promote public health and general well-being. To enable the cities themselves to prepare their own reports along the same lines and thus enlarge the field within which municipal reports can be made efficient for good government, the budgets and appropriations must be prepared along the same general lines with those classified exhibits of expenditure. In advocating the preparation of uniform municipal budgets, the organizations and associations referred to wish, therefore, to accomplish two distinct results. They desire to guarantee the extension of the field within which uniform accounts and reports can be made useful in securing public control over municipal financial administration, by accompanying the budget with the accounts and reports as contemplated. They also desire to prevent appropriations under circumstances

that beget wasteful expenditures. They desire, therefore, (to paraphrase certain popular proverbs) to lock the stable door *before* the horse is stolen, rather than to disclose how the horse *was* stolen and what became of him. The endeavor to secure this result is based upon the well-known fact that men care more for live horses than for dead ones. If they can be informed in advance of all the expenditures that are being considered for authorization the next year, the reason for them, the relation of such expenditures to taxes and debt, they will take a great interest in preventing bad and wasteful expenditures and in encouraging those making for good government; while they will devote but little time to denouncing unwise past expenditures, for which no one can be punished, and to bemoaning excessive past taxes which can never be lessened or recovered.

The uniform accounts and uniform reports for which our municipal associations and municipal reformers, students and citizens interested in good government have been greatly interested during the past few years are good. They help all concerned to find fault, or make their criticisms of past governmental action intelligible and correct. But fault finding and criticism of past wrongdoing are not the only desiderata of good government. The people of England could criticise and denounce and find fault with King Charles' use of the old royal taxing power. They cut off the King's head to stop the exercise of such power, and under Cromwell asserted the power of control in advance. That is the issue to-day in municipal affairs. The people are not satisfied with finding fault after accomplished facts. They want to stop the bosses from unjust taxation and unwise expenditure, as the old English Parliament restrained the kings from action until their consent had been obtained. The classified and uniform budget is the only possible basis of providing the people with advance knowledge concerning the character of proposed financial transactions and their effect upon the interest and welfare of the masses. With such a budget prepared every year, by which the citizens of a given city can know in advance how every class of proposed expenditure compares with the like expenditures of other cities, and how the proposed expenditures of the year compare with those of other years; with budgets that show the relation of all expenditures to the popular well-being and all the complex administrative problems of the city, there is an opportunity to make public opinion upon governmental questions an intelligent judgment, and also to make that opinion supreme over the ordinary city council, and in the case of Washington, supreme even over the National Congress. Without it, the people are even more powerless in the average city than are the

citizens of Washington in their past and present efforts to control or modify the judgment of the National Congress.

In this connection, permit me to make a second application of the story of Dean Swift and the sailor, to which I have already referred. The citizen cannot be a good Christian or a good member of the body politic unless he is at once prayerful—that is, interested in having the Lord on the side of good government—and also watchful over all governmental transactions. People of all sects and religions—Protestant and Catholic, Christian and Jew—are prayerful enough. They call enough on the Lord to give them good government. But we should not blame them unduly if they fail in watchfulness, provided they have no opportunity to watch, or through watching to form an intelligent opinion of the character and results of governmental financial transactions. It is to provide a way for the common people, who are prayerful and are interested on the side of good morals, honesty and efficiency of government to watch, that I come before you, and through you ask the legislative powers that be to provide our cities with complete, classified and intelligible budgets, so that the people can watch as well as pray, and thus make their prayers and good intentions and good desires effective for good government.

One word more and I will close. In past years the various departments of the government of the District of Columbia have presented their estimates of the expenditures which they recommend for the ensuing fiscal year. All of these departmental estimates were prepared under old and antiquated general titles which conveyed no inkling of the purpose for which the appropriations asked for were to be expended, and no ordinary business man could, in the leisure at his disposal, tell which ones were excessive and permitted the wasteful or extravagant expenditure of money. Under such circumstances, those interested in special departments or particular appropriations could sometimes secure more than their just share of the public money; and others, unable to stir up as much tumult, or raise as much dust to throw in the eyes of Congress, failed to secure sufficient appropriation to perform the duties which could reasonably be demanded or expected from their office. The budget recently prepared by the Auditor and forwarded with the approval of the District Commissioners for action by Congress next winter, is arranged on an entirely different basis. It presents exhibits of past expenditures for a series of years, classified according to the functional activities of the municipal government. It shows the changes made in the grants of Congress for all these activities during the years covered by the figures. It asks for appropriations within limits specified for the ensuing year, and further asks that Congress in making its appro-

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priations, may not only authorize expenditures in amounts such as are asked for, but in the form requested, so that accounts may be kept and reports made along the lines recommended by all civic associations and by all students and teachers of governmental finance.

The allotments made by the Auditor and the Commissioners for particular departments and specified purposes may or may not be the expression of the best civic judgment. It is hoped that they are representative of that judgment. But they may all be conceived in prejudice and begotten of ignorance of actual conditions and needs, and yet I would in that case, as in the first one stated, recommend the form of the budgetary estimates submitted, and join in the recommendation of the Commissioners that appropriations be on the lines cast of the estimates submitted. As a resident of Washington, I so recommend, because the form presented is one which will best enable every slighted interest, if such there be, to demonstrate that fact in the most convincing manner. It is a form of financial proposals which will be readily understood by the people of the District; and when this fact sinks into the public consciousness, great numbers of our citizens, who have hitherto taken no vital interest in our common affairs, because they could not understand the issues involved, will be aroused to activity; and thus aroused, a practical consensus of public opinion can at no distant future period be reached, with reference to the actual and relative public expenditures that should be authorized for the support of our various governmental activities.

Washington is the Capital of the Nation, and if its accounts and budgets can be arranged to reflect the recommendations of all those who have made a study of the same from their relation to good and efficient government, the action in Washington will have an early and widespread influence for good in every municipality on this continent. It will also exert a beneficial influence in the preparation of National and State budgets and appropriations, and in the form of all governmental reports and accounts. Shall not the voice of this association be raised to support the action of the Auditor and Commissioners of the District of Columbia in favor of the proposed form of the appropriation act for the District of Columbia?

The Accounts of a City.

By RICHARD M. CHAPMAN, C. P. A.

(Continued.)

SYNOPSIS OF PRECEDING NUMBERS.

The Development of Municipal Accounting:—Changes in Method and Procedure Contemplated. Merits of Former Expedients. Scope of Thesis. Governing Distinctions. Form of Presentation and Illustration of Subject Adopted. Appropriation Funds and Provision Therefor. Assessment Funds. Taxes and Assessments Differentiated. Interest on and Redemption of Assessment Bonds. Water Revenue and Maintenance. Receiving and Collecting Officers. Bond Funds. Special Funds. Accounts Current. Primary Classification of Receipts. Liquidation of Imposts. Application of Miscellaneous Revenues. Refunding of Taxes, Assessments and Water Rates, paid in error. Refunds of Miscellaneous Revenues. Characteristics of Different Types of Funds. "A" Warrants Drawn Against Appropriations. "B" Warrants Drawn Against Special and Trust Accounts. Audit, Registration, Payment and Cancellation of Warrants. Significance of the Balance of Fund, Warrant and Cash Accounts, Current Taxes, Assessments and Water Rates, and Arrears. Enforcing Collection by Sale. Disposition of Surplus Balances of Funds. City Treasury Journal, Ledger and Trial Balance thereof. The Principal of the City Debt. The Several Classes of Bonds. Modes of Authorization and Redemption. Interest on the City Debt. Principal and Interest Journal, Ledger and Trial Balance thereof. The Sinking Fund. Specific Component Funds Comprehended. Annual Installments Levied. Revenues from Investments. Assessments, Water Rates and Miscellaneous Revenues Pledged. Redemptions.

In order that the foregoing entries 1 to 8 may be readily traced to the ledger accounts to which they give rise and the double entry scheme of the accounts demonstrated, they are here repeated, without explanatory text and in close formation, followed by entries 9 to 15, after which is a skeleton of the general ledger, showing the controlling accounts operated and trial balances thereof, showing the opening and closing balances and the intervening volume of transactions of the fiscal year, assumed for the purpose of illustration.

SINKING FUND—JOURNAL.

SINKING FUNDS OF FORMER MUNICIPALITIES CONSOLIDATED.

1.

1.	Treasurer of the Sinking Fund—Cash: To Sundries	\$1,710,454.53	
6.	Annual Installment Levied.....		\$179,572.11
7.	Revenue from Investments.....		448,837.76
8.	Interest on Bank Deposits.....		7,747.63
9.	Investments Redeemed		350,040.00
10.	Assessments and Water Rates Pledged.....		53,168.43
11.	Miscellaneous Sinking Fund Revenues.....		673,088.60

2.

5.	Sundries: To Sinking Fund Warrants.....		\$1,720,250.00
12.	Redemption of the City Debt.....	\$874,000.00	
13.	Investments Purchased	845,000.00	
14.	Refunds of Revenues.....	1,250.00	

3.

2.	Treasurer of the Sinking Funds—Investments.	\$845,000.00	
4.	To Sinking Funds—Investments.....		\$845,000.00

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4.		
12.	Redemption of the City Debt.....	\$220,400.00
2.	To Treasurer of the Sinking Fund—Investments	\$229,400.00
5.		
4.	Sinking Fund Investments: To Sundries.....	\$579,440.00
2.	Treas'r of the Sinking Fund—Investments.	\$350,040.00
12.	Redemption of the City Debt.....	229,400.00
6.		
5.	Sinking Fund Warrants.....	\$1,719,006.69
1.	To Treasurer of the Sinking Fund—Cash..	\$1,719,006.69
7.		
3.	Sundries: To Sinking Fund—Cash Account	\$1,710,454.53
6.	Annual Installment Levied.....	\$179,572.11
7.	Revenues from Investments.....	448,837.76
8.	Interest on Bank Deposits.....	7,747.63
9.	Investments Redeemed	350,040.00
10.	Assessments and Water Rates Pledged.....	53,168.43
11.	Miscellaneous Sinking Fund Revenues.....	673,088.60
8.		
3.	Sinking Fund Cash Account: To Sundries....	\$1,720,250.00
12.	Redemption of the City Debt.....	\$874,000.00
13.	Investments Purchased	845,000.00
14.	Refunds of Revenues.....	1,250.00

SINKING FUND OF THE CITY AS NOW CONSTITUTED.

9.		
15.	Treasurer of the Sinking Fund—Cash: To Sundries	\$377,436.99
20.	Annual Installment Levied.....	\$324,090.89
21.	Revenue for Investments.....	48,636.07
22.	Interest on Bank Deposits.....	390.04
23.	Investments Redeemed	3,000.00
24.	Miscellaneous Sinking Fund Revenues.....	1,319.99
10.		
19.	Sundries: To Sinking Fund Warrants....	\$376,065.00
25.	Redemption of the City Debt.....	\$ 29,000.00
26.	Investments Purchased	347,000.00
27.	Refunds of Revenue.....	65.00
11.		
16.	Treasurer of the Sinking Fund—Investments..	\$347,000.00
18.	To Sinking Fund Investments.....	\$347,000.00
12.		
18.	Sinking Fund Investments.....	\$3,000.00
16.	To Treasurer of the Sinking Fund—Investments	\$3,000.00
13.		
19.	Sinking Fund Warrants.....	\$376,761.34
15.	To Treasurer of the Sinking Fund—Cash..	\$376,761.34
14.		
17.	Sundries: To Sinking Fund Cash Account.	\$377,436.99
20.	Annual Installment Levied.....	\$324,909.89
21.	Revenue from Investments.....	48,636.07
22.	Interest on Bank Deposits.....	390.04
23.	Investments Redeemed	3,000.00
24.	Miscellaneous Sinking Fund Revenues.....	1,319.99
15.		
17.	Sinking Fund Cash Account: To Sundries....	\$376,065.00
25.	Redemption of the City Debt.....	\$ 29,000.00
26.	Investments Purchased	347,000.00
27.	Refunds of Revenues.....	65.00

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SINKING FUND—LEDGER.

SINKING FUNDS OF FORMER MUNICIPALITIES CONSOLIDATED.

1. *Treasurer of the Sinking Fund—Cash in Depositories.*

Balance 31 Dec. 1907.....	\$ 169,088.32
1. Sundries	1,710,454.53
	<u>\$1,879,542.85</u>
6. Sinking Fund Warrants.....	\$1,719,006.69
Balance 31 Dec., 1908.....	160,536.16
	<u>\$1,879,542.85</u>

2. *Treasurer of the Sinking Fund—Investments Held.*

Balance 31 Dec., 1907.....	\$14,648,800.00
3. Sinking Fund Investments.....	845,000.00
	<u>\$15,493,800.00</u>
4. Redemption of City Debt.....	\$229,400.00
5. Sinking Fund Investments.....	350,040.00
Balance 31 Dec., 1908.....	14,914,360.00
	<u>\$15,493,800.00</u>

3. *Sinking Fund Cash Account.*

8. Sundries	\$1,720,250.00
Balance 31 Dec., 1908.....	158,386.16
	<u>\$1,878,636.16</u>
Balance 31 Dec., 1907.....	\$ 168,181.63
7. Sundries	1,710,454.53
	<u>\$1,878,636.16</u>

4. *Sinking Fund Investments Account.*

5. Sundries	\$ 579,440.00
Balance 31 Dec., 1908.....	14,914,360.00
	<u>\$15,493,800.00</u>
Balance 31 Dec., 1907.....	\$14,648,800.00
3. Treasurer of Sinking Fund—Investment.....	845,000.00
	<u>\$15,493,800.00</u>

5. *Sinking Fund Warrants.*

6. Treasurer of Sinking Fund—Cash.....	\$1,719,006.69
Balance 31 Dec., 1908.....	2,150.00
	<u>\$1,721,156.69</u>
Balance 31 Dec., 1907.....	\$ 906.69
2. Sundries	1,720,250.00
	<u>\$1,721,156.69</u>

6. *Annual Installment Levied.*

7. Sinking Fund Cash Account.....	\$179,572.11
1. Treasurer Sinking Fund—Cash.....	\$179,572.11

7. *Revenues from Investments.*

7. Sinking Fund Cash Account.....	\$446,837.76
1. Treasurer Sinking Fund—Cash.....	\$446,837.76

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8. Interest on Bank Deposits.

7. Sinking Fund Cash Account.....	\$7,747.68
1. Treasurer Sinking Fund—Cash.....	<u>\$7,747.68</u>

9. Investments Redeemed.

7. Sinking Fund Cash Account.....	\$350,040.00
1. Treasurer Sinking Fund—Cash.....	<u>\$350,040.00</u>

10. Assessments and Water Rates Pledged.

7. Sinking Fund Cash Account.....	\$53,168.43
1. Treasurer Sinking Fund—Cash.....	<u>\$53,168.43</u>

11. Miscellaneous Sinking Fund Revenues.

7. Sinking Fund Cash Account.....	\$673,088.60
1. Treasurer Sinking Fund—Cash.....	<u>\$673,088.60</u>

12. Redemption of the City Debt.

2. Sinking Fund Warrants.....	\$ 874,000.00
4. Treasurer Sinking Fund—Investment.....	229,400.00
	<u>\$1,103,400.00</u>
5. Sinking Fund Investments.....	\$ 229,400.00
8. Sinking Fund Cash Accounts.....	874,000.00
	<u>\$1,103,400.00</u>

13. Investments Purchased.

2. Sinking Fund Warrants.....	\$845,000.00
8. Sinking Fund Cash Account.....	<u>\$845,000.00</u>

14. Refunds of Revenues.

2. Sinking Fund Warrants.....	\$1,250.00
8. Sinking Fund Cash Account.....	<u>\$1,250.00</u>

TRIAL BALANCE.

	31st December, 1907.		Interim Transactions.		31st December, 1908.	
	Dr.	Cr.	Charged.	Credits.	Dr.	Cr.
1. Treasurer of the Sinking Fund—Cash in Depositories	\$ 168,088.32		\$1,710,454.53	\$1,719,008.89	\$ 160,536.16	
2. Treasurer of the Sinking Fund—Investments Held	14,648,800.00	\$ 168,181.63	845,000.00	579,440.00	14,914,360.00	\$ 168,386.16
3. Sinking Fund Cash Account		14,848,800.00	1,720,250.00	1,710,454.53		14,914,360.00
4. Sinking Fund Investments Account			579,440.00	845,000.00		
5. Sinking Fund Warrants		906.69	1,719,008.89	1,720,250.00		2,150.00
	\$14,817,888.32	\$14,817,888.32	\$6,574,151.22	\$6,574,151.22	\$15,074,896.16	\$15,074,896.16

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ANALYSIS OF WARRANTS.

Drawn for.	Out- standing Dec. 31, 1907.	Drawn 1908.	Total.	Paid 1908.	Out- standing Dec. 31, 1908.
Redemptions ..	\$900.00	\$874,000.00	\$874,900.00	\$873,900.00	\$1,000.00
Investments ...		845,000.00	845,000.00	843,900.00	1,100.00
Refunds	6.69	1,250.00	1,256.69	1,206.69	50.00
	\$906.69	\$1,720,250.00	\$1,721,156.69	\$1,719,006.69	\$2,150.00

SINKING FUND OF THE CITY AS NOW CONSTITUTED.

15. *Treasurer of the Sinking Fund—Cash in Depositories.*

Balance 31 Dec., 1907.....	\$ 10,439.20
9. Sundries	377,436.99
	<u>\$387,876.19</u>
13. Sinking Fund Warrants.....	\$376,761.34
Balance 31 Dec., 1908.....	11,114.85
	<u>\$387,876.19</u>

16. *Treasurer of the Sinking Fund—Investments Held.*

Balance 31 Dec., 1907.....	\$10,842,100.00
11. Sinking Fund Investments.....	347,000.00
	<u>\$11,189,100.00</u>
12. Sinking Fund Investments.....	\$ 3,000.00
Balance 31 Dec., 1908.....	11,186,100.00
	<u>\$11,189,100.00</u>

17. *Sinking Fund—Cash Account.*

15. Sundries	\$376,065.00
Balance 31 Dec., 1908.....	8,609.85
	<u>\$384,674.85</u>
Balance 31 Dec., 1907.....	\$ 7,237.86
14. Sundries	377,436.99
	<u>\$384,674.85</u>

18. *Sinking Fund Investments Account.*

12. Treasurer of Sinking Fund Investment.....	\$ 3,000.00
Balance 31 Dec., 1908.....	11,186,100.00
	<u>\$11,189,100.00</u>
Balance 31 Dec., 1907.....	\$10,842,100.00
11. Treasurer Sinking Fund Investment.....	347,000.00
	<u>\$11,189,100.00</u>

19. *Sinking Fund Warrants.*

13. Treasurer Sinking Fund—Cash.....	\$376,761.34
Balance 31 Dec., 1908.....	2,505.00
	<u>\$379,266.34</u>
Balance 31 Dec., 1907.....	\$ 3,201.34
10. Sundries	376,065.00
	<u>\$379,266.34</u>

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20. Annual Installments Levied.

14. Sinking Fund Cash Account.....	\$324,090.89
9. Treasurer Sinking Fund—Cash.....	<u>\$324,090.89</u>

21. Revenue from Investments.

14. Sinking Fund Cash Account.....	\$48,636.07
9. Treasurer Sinking Fund—Cash.....	<u>\$48,636.07</u>

22. Interest on Bank Deposits.

14. Sinking Fund Cash Account.....	\$390.04
9. Treasurer Sinking Fund—Cash.....	<u>\$390.04</u>

23. Investments Redeemed.

14. Sinking Fund Cash Account.....	\$3,000.00
9. Treasurer Sinking Fund—Cash.....	<u>\$3,000.00</u>

24. Miscellaneous Sinking Fund Revenues.

14. Sinking Fund Cash Account.....	\$1,319.99
9. Treasurer Sinking Fund—Cash.....	<u>\$1,319.99</u>

25. Redemption of the City Debt.

10. Sinking Fund Warrants.....	\$29,000.00
15. Sinking Fund Cash Account.....	<u>\$29,000.00</u>

26. Investments Purchased.

10. Sinking Fund Warrants.....	\$347,000.00
15. Sinking Fund Cash Account.....	<u>\$347,000.00</u>

27. Refunds of Revenues.

10. Sinking Fund Warrants.....	\$65.00
15. Sinking Fund Cash Account.....	<u>\$65.00</u>

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TRIAL BALANCE.

	31st December, 1907.	Interim Transactions.	31st December, 1908.
	Dr.	Cr.	
		Chargea.	Credits.
		Dr.	Cr.
15. Treasurer of the Sinking Fund—Cash	\$ 10,489.20	\$ 377,436.99	\$ 376,761.34
16. Treasurer of the Sinking Fund—Investments Held	10,842,100.00	347,000.00	3,000.00
17. Sinking Fund Cash Account	\$ 7,237.86	377,436.99	11,186,100.00
18. Sinking Fund Investment Account	10,842,100.00	347,000.00	\$ 8,609.85
19. Sinking Fund Warrants	3,201.34	376,761.34	11,186,100.00
			2,505.00
	\$10,852,589.20	\$1,480,263.33	\$1,480,263.33
			\$11,197,214.85

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ANALYSIS OF WARRANTS.

Drawn for	Out- standing 31 Dec., 1907.	Drawn 1908.	Total.	Paid 1908.	Out- standing 31 Dec., 1908.
Redemptions ..	\$1,500.00	\$ 29,000.00	\$ 30,500.00	\$ 30,000.00	\$ 500.00
Investments ..	1,700.00	347,000.00	348,700.00	348,700.00	2,000.00
Refunds	1.34	65.00	66.34	61.34	5.00
	\$3,201.34	\$376,065.00	\$379,266.34	\$376,761.34	\$2,505.00

(To be concluded.)

Uniform System of Accounts for Gas Corporations and Electric Corporations in the District of Columbia.

(Continued.)

As Prescribed by the Interstate Commerce Commission in Accordance with Act of Congress Approved March 3, 1909. Public—No. 303.

SPECIAL NOTE.—On and after January 1, 1910, all charges to capital or other accounts provided for in this Classification should be the actual money costs of the things for which they are made. Where the consideration in any transaction shown in any entry is any thing other than money, the actual consideration should be shown in the entry and the amount charged should be the actual cash value of the consideration at the time of the transaction.

GROUP A.—OPERATING ACCOUNTS OF GAS CORPORATIONS.

OPERATING REVENUES.

G 101. SALE OF GAS FOR MUNICIPAL PURPOSES.

This account includes all revenues received from municipal corporations for gas supplied to such corporations or to other corporations for municipal purposes.

G 102. PREPAID GAS SALES.

Credit to this account all revenues derived from the sale of prepaid gas delivered through so-called "prepayment meters."

G 103. COMMERCIAL GAS SALES.

This account includes all revenues derived from sale of gas to consumers other than municipal corporations.

G 104. SALE OF GAS TO OTHER GAS CORPORATIONS.

This account includes all revenues derived from gas sold or supplied to other gas corporations to be distributed by them through their own pipes to consumers.

G 105. SALE OF RESIDUALS AND BY-PRODUCTS.

This account includes all revenues derived from the sale of residuals and by-products.

This account should be kept in such manner as to enable

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the corporation to show the amounts of revenue derived from the following sources:

Sale of Gas Coke,
Sale of Tar,
Sale of Ammoniacal Liquor,
Sale of Other Residuals and By-Products.

NOTE A.—The amount of revenue from the sale of any residual or by-product is to be determined by the price received at the point of delivery to the purchaser, and any expense incurred by the corporation in effecting delivery should be charged to the appropriate operating expense account.

NOTE B.—Residuals and by-products consumed by the corporation should not be credited to this account.

G 106. OTHER MISCELLANEOUS GAS REVENUE.

This account includes all revenues derived from gas operations not includible in any of the foregoing accounts.

OPERATING EXPENSES.

I. Production Expenses.

G 120. WORKS SUPERINTENDENCE.

This account includes the cost of labor of the engineer in charge of works and his assistants; also day and night foremen and station clerks.

G 121. WORKS LABOR.

This account includes the cost of labor at works as follows:

Boiler-House Labor.—Labor employed in weighing and handling coal, coke, and breeze from place of storage to boilers; labor employed in operating boilers and engines, including such labor as that of shovelers, weighers, boiler firemen and engineers, and oilers; and labor employed in pumping oil tar from generators through separators to storage tanks and from storage tanks to boilers; also such labor as that of pump-house men.

Retort-House Labor.—Labor employed in firing benches, charging and recharging retorts, patching and scouring retorts, cleaning pipes and lids, quenching and handling coke used under benches, and handling coal from place of storage to retort house. This includes such labor as that of foremen, firemen, furnacemen, retort and boiler tenders, patchers, pipemen, lid cleaners, coke quenchers, guymen, riggers, shovelers and wheelers.

Generator-House Labor.—Labor employed in weighing and handling coal and coke from place of storage to charging floor, and in operating, firing, clinkering and cleaning generators. This includes such labor as that of shovelers, weighers, pumpers, generator firemen and runners.

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Purifier-House Labor.—Labor employed in changing purifier boxes, revivifying oxide, and removing spent oxide to refuse pile. This includes such labor as that of foremen and laborers.

Miscellaneous Labor at Works.—General labor in and about the works not specifically employed in the manufacture of gas, such as that of watchmen, janitors and messengers, and of laborers employed in cleaning up yards, removing snow, and cleaning out refuse piles.

G 122. BOILER FUEL.

This account includes the cost (delivered in storage pile) of fuel used under boilers.

G 123. WATER.

This account includes the cost of water used in gas production.

G 124. FUEL UNDER RETORTS.

This account includes the cost (delivered in storage pile) of fuel used under retorts.

G 125. COAL CARBONIZED.

This account includes the cost (delivered in storage pile) of gas coal used in retorts.

G 126. COAL—GAS ENRICHERS.

This account includes the cost (in storage) of enricher materials.

G 127. GENERATOR FUEL.

This account includes the cost (delivered in storage pile) of fuel used in generators.

G 128. WATER-GAS OIL.

This account includes the cost (in storage tanks) of gas oil or naptha used in making water gas.

G 129. PURIFYING SUPPLIES.

This account includes the cost of material used in gas purification. It includes the cost and transportation charges of lime and oxide actually used; and the cost of labor, cartage, shavings, etc., necessary to storage; also the cost of mixing.

G 130. MISCELLANEOUS WORKS EXPENSE.

This account includes the cost of sundry supplies and expenses in connection with the works not includible in other accounts. This includes the cost of lubricating oil, waste

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and packing, and other small materials of like nature used in gas works; also the cost of incidental items, such as telephones, ice, brooms, mops, kerosene, soap, towels, and similar expenses.

G 131. GAS STORAGE.

This account includes the cost of labor and material (except in repairs) employed in storing and regulating the flow of gas to distributing mains by holder pressure. This includes the cost of labor of firemen, engineers, valvemen, and superintendents when engaged on gas storage, and the cost of coal, coke, water, and incidentals.

G 132. GAS FROM OTHER SOURCES.

This account includes the cash purchase price of gas bought from other companies for distribution through the system of the accounting corporation; also its proportion of the cost of production (including the cost of maintenance, but not including any rent or return upon the value of property employed) of gas produced by other companies for use under any joint arrangement for the sharing of expenses upon the basis of the relative amounts of benefit to the several participants.

G 135. WORKS AND STATION STRUCTURES—MAINTENANCE.

This account includes the cost of all repairs to and renewals of work and station structures, including permanent piers and other foundations. Such structures include retort houses, generator houses, purifier houses, engine houses, boiler houses, meter houses; coal sheds, coke sheds, oil tanks, and other structures for storage of fuel to be consumed or carbonized in the production of gas and the operations auxiliary thereto; tar houses and wells and other structures for residuals and by-products; appurtenant walks, fences, drives, tramways, trestles, etc., and all fixtures permanently attached to such structures and made a part thereof; also all buildings, holder houses, and other structures at outlying holder stations, except the holders and their appurtenances.

NOTE.—Repairs of short-lived and specially provided foundations and settings for furnaces and boilers, steam engines, gas engines, pumps, generators, benches, condensers, washers, scrubbers, purifiers, etc., are not to be included herein. Such foundations and settings and the apparatus and machinery to which they pertain are not to be included under the term "fixtures" as above used. Nor should repairs of gas holders be included in this account.

G 136. POWER-PLANT EQUIPMENT—MAINTENANCE.

This account includes the cost of repairs to and renewals of the following:

Furnaces, Boilers and Accessories.—All furnaces, boilers and boiler apparatus and accessories devoted to the produc-

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tion of steam for use in producing gas and in furnishing motive power in gas works and stations. This includes boilers and valves thereto attached, appurtenant furnaces and grates, and flues leading to smokestacks and chimneys, and the specially-provided foundations and settings of such boilers and appurtenances. It also includes mechanical stokers and other apparatus for regulating the supply of fuel; feed and hot-water heaters and economizers, injectors, filters, and feed pumps; blower engines, coal conveyers, and ash conveyers; water pipes, steam traps, drains, and separators; exhaust pipes and pipes for conducting steam from the boiler to the engine, to condensers, or to the gas producers, etc. It does not include steam pipes whose primary purpose is the heating of buildings.

Steam Engines.—Steam engines devoted to use as prime movers in gas works, including the specially-provided foundations and settings of such engines. The engine, whether reciprocating or rotary (such as steam turbine), includes the throttle or inlet valve and the governor; also condensers and air pumps, but not the steam pipe leading from the boiler, or the exhaust pipe.

Gas Engines.—Gas engines devoted to use as prime movers in gas works and stations, including the specially-provided foundations and settings for such engines. The engine includes the inlet-valve governor, and ignition and starting apparatus, but not the pipe leading from the gas holder, or the exhaust pipe.

Miscellaneous Power-Plant Equipment.—Miscellaneous power-plant equipment at gas works which is not includible in any of the foregoing accounts. This includes such mechanical apparatus as belts, pulleys, hangers, countershafts, and other apparatus intermediary between the prime mover and the apparatus operated, and cranes, hoists, machine tools and such other tools at power-plants as may properly be capitalized

G 137. GAS APPARATUS—MAINTENANCE.

This account includes the cost of repairing and renewing the following:

Benchs and Retorts.—Benchs, including the retorts and their settings, and auxiliary piping, including ascension pipes, and foul and hydraulic mains.

Water-Gas Sets and Accessories.—Water-gas generators and accessories devoted to the production of gas, the specially-provided foundations and settings for such water-gas sets, and the flues leading therefrom to smokestacks and chimneys.

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This includes not only generators, carburetors, superheaters, seals, and piping connected therewith, but also blast apparatus, oil and steam-supplying apparatus, oil heaters, etc. It does not include pipes whose primary purpose is the warming of buildings.

Purification Apparatus.—Apparatus for purifying gas, including condensers, washers, scrubbers, purifiers, tar extractors, etc., and their specially-provided foundations and settings.

HOLDERS.—Gas holders and appurtenances at works and at district stations.

NOTE.—Repairs of holder housings should be charged to account G 135, "Works and Station Structures—Maintenance."

Miscellaneous Equipment.—Accessory equipment and apparatus used in the production and storage of gas not specifically provided for in the foregoing accounts, including repairs of exhausters, station meters, governors, etc.; apparatus for charging retorts; conveyors for disposing of coke and other products and residuals; tar and ammonia apparatus, pumps, pipes, tanks, etc.

G 138. WORKS TOOLS—MAINTENANCE.

This account includes the cost of repairing and renewing such tools and implements used in the production and storage of gas as have been capitalized.

II. Transmission and Distribution Expenses.

G 140. TRANSMISSION PUMPING.

This account includes the cost of pumping gas through mains to the distribution system, including the cost of inspection and regulation of booster governors.

NOTE.—When gas is delivered to the supply system outside the works at substantially works pressure, the pipe system, including mains, feeders, services, and supply pipes to outlying holders, if any, should all be classed in the distribution system. When the pressure is raised by means of boosters and the gas is delivered to the pipes at higher than works pressure, and is later reduced in pressure and delivered to the distribution system proper, that portion of the pipe system used for conducting gas at the raised pressure should be classed as the transmission system.

G 141. DISTRIBUTION SUPERINTENDENCE.

This account includes the cost of all labor employed in superintending the operation of the street department and fitting and repair shops, including the salaries of superintendents, foremen, clerks, timekeepers, messengers, watchmen, and janitors employed in the distribution department.

G 142. DISTRIBUTION SUPPLIES AND EXPENSES.

This account includes the cost of office maintenance and incidental expenses of the street and shop departments, including the cost of light, heat, telephones, water, ice, etc.

NORM.—When the distribution office is combined with the works office or commercial office, charges like rent, light, etc., should be divided between them in a fixed ratio, based upon the relative amounts of use.

G 143. GAS METER AND INSTALLATION WORK.

This account includes the cost of labor employed and material used in locking and unlocking meters, building inspection, pumping drip, cleaning service or house pipe with pump; setting, removing, resetting, and changing position of meters, and temporary repairs of leaks in house piping.

G 144. WORK ON CONSUMERS' PREMISES.

This account includes the cost of installing gas stoves and other appliances on the premises of consumers, and of work done for consumers in maintaining the efficiency of their service, including complaint work and other work done in houses beyond the end of the meter outlet connection. This includes the cost of adjusting or changing location of house pipes, gas burners, fixtures, stoves, and appliances, and the cost of new pillars, tips, burners, or devices not chargeable to repair accounts. It does not include such installation expense items as are provided for in the preceding account.

Credit to this account the cost element of receipts for jobbing work which the accounting corporation has performed as agent under agency contracts.

NOTE.—Any profit or commission accruing to the corporation on jobbing work performed as agent shall be credited to account G 106, "Other Miscellaneous Gas Revenue;" to that account should also be credited all receipts from gas jobbing not done under agency contracts.

G 150. GAS MAINS AND SERVICES—MAINTENANCE.

This account includes all costs under the following heads:

Gas Mains.—Labor and material employed in repairing and renewing mains, including labor of foremen, inspectors, calkers, tappers, pavers, drillers, skilled laborers, general laborers, and similar workers on street-department pay rolls while engaged in repairing, altering, overhauling, changing position of or removing street mains, protecting exposed or undermined mains, searching for and repairing leaks in mains, and paving over any of the above works; also material and cartage in connection with the above work.

Gas Services.—Labor and material employed in repairing and renewing services, including the same classes of labor as shown under the preceding head "Gas Mains," while engaged in repairing, altering, removing, relaying, cutting off,

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increasing the size of, and changing the position of services, searching for and repairing leaks in services, and paving over any of the above work; also the cost of material and cartage in connection therewith.

G 151. GAS METERS—MAINTENANCE.

This account includes the cost of testing and repairing consumers' meters.

G 152. DISTRIBUTION TOOLS—MAINTENANCE.

This account includes the cost of sharpening and repairing such tools and implements as have been charged to capital accounts and are used in the street department and the fitting and repair shops.

G 153. GAS APPLIANCES—MAINTENANCE.

This account includes the cost of repairs of gas lamps, stoves, engines, and other appliances owned by the corporation and rented to consumers.

III. Street and Park Lighting Expenses.

G 155. STREET LAMP OPERATION.

This account includes the cost of labor employed in cleaning and lighting street lamps, and extinguishing street lights; in inspecting and supervising the street lighting district; in reporting on relights and discontinues, and watching the hours of lighting and extinguishing; and the incidental expenses of street-lamp operation.

G 156. STREET LAMPS—MAINTENANCE.

This account includes the cost of labor and material consumed in fitting up new lamp posts, refitting standpipes, cleaning services, cutting off services, recalking columns, removing posts, resetting posts, refitting columns, straightening posts, and all other work of a similar character necessary to maintain the street lighting system at the degree of required efficiency; also repaving over openings made necessary by such work.

IV. Commercial Expenses.

G 160. COMMERCIAL ADMINISTRATION.

This account includes:

Commercial Department General.—Pay of superintendents and assistants, chief clerks, stenographers, general clerks, high bill clerks, switchboard operators, messengers, janitors, and watchmen employed in the commercial department.

The Government Accountant.

Commercial Department Accounting.—Pay of bookkeepers and clerks employed on consumers' accounts.

Commercial Department Contracts.—Pay of clerks and other employes in the application or contract bureau.

Commercial Department Collecting.—Pay of regular and prepayment collectors.

Meter Reading.—Pay of meter readers.

Commercial Office Supplies and Expenses.—Cost of supplies and the incidental expenses of the commercial office.

G 161. ADVERTISING.

This account includes pay and expenses of the advertising manager and clerks, also the cost of commercial advertising sundries, including booklets, dodgers, newspaper advertisements, posters, bulletins, and similar items.

NOTE.—This account should not include the expense of advertising residuals, such being chargeable to the proper residual expense account.

G 162. OTHER COMMERCIAL EXPENSES.

This account includes all commercial expenses not provided for elsewhere, such as promotion, demonstration, canvassing and soliciting, etc.

V. General and Miscellaneous Expenses.

G 165. SALARIES AND EXPENSES OF GENERAL OFFICERS.

This account includes the salaries and expenses of the chairman of the board, president, vice president, treasurer, secretary, comptroller, general auditor, general manager, assistant general manager, chief engineer, general superintendent, purchasing agent, and all other officers whose jurisdiction extends to the entire system and whose services cannot be satisfactorily allocated to the several departments.

G 166. SALARIES AND EXPENSES OF GENERAL OFFICE CLERKS.

This account includes the pay and expenses of general office auditors, bookkeepers, cashiers, paymasters, stenographers, clerks employed in counting cash, and all other clerks employed in the general office.

NOTE.—Pay and expenses of clerks in the commercial department should be charged to account G 160, "Commercial Administration."

G 167. GENERAL OFFICE SUPPLIES AND EXPENSES.

This account includes the cost of office supplies, repairs of office furniture, and renewals of such furniture as has not been capitalized; wages of janitors, porters, and messengers; rent of rooms in office buildings and repairs of such rented rooms;

The Government Accountant.

traveling and incidental expenses of general officers and other general office employes; and all other miscellaneous expenses of general offices. Office expenses of departmental offices must be charged to the proper departmental accounts.

NOTE.—This account should not include cost of telephone or telegraph service.

G 168. GENERAL LAW EXPENSES.

This account includes all law expenses except those incurred in the defense and settlement of damage claims. This includes salaries and expenses of all counsel, solicitors, and attorneys, their clerks and attendants, and expenses of their offices; cost of law books; cost of printing briefs, legal forms, testimony, reports, etc.; fees and retainers for services of attorneys not regular employes; court costs, and payments of special, notarial, and witness fees not provided for elsewhere; expenses connected with taking depositions, and all law and court expenses not provided for elsewhere.

NOTE.—The compensation of the general solicitor or counsel or other attorneys engaged partly in the defense or settlement of damage suits and partly in other legal work should be properly apportioned between this account and account G 175, "Injuries to Persons and Property."

G 169. MISCELLANEOUS GENERAL EXPENSES.

This account includes the cost of telephone and telegraph service and other miscellaneous expenses connected with the general management not provided for elsewhere.

G 170. INSURANCE.

This account includes all premiums paid to insurance companies for fire, fidelity, boiler, casualty, burglar, and all other insurance; also amounts set aside as an insurance reserve.

G 171. RELIEF DEPARTMENT AND PENSIONS.

This account includes all salaries and expenses incurred in connection with conducting a relief department; also contributions made to such department, and all pensions paid to retired employes, and expenses in connection therewith.

G 172. GAS FRANCHISE REQUIREMENTS.

This account includes the cost of gas and other materials and supplies furnished to municipal corporations in compliance with franchise requirements, for which no payment is received; also the direct expense of paving, etc., incurred in compliance with such requirements, for which no reimbursement is received. Amounts charged to this account for which there is no direct money outlay should be credited to "Duplicate Gas Charges—Cr.," under account G 179, "Miscellaneous Adjustments—Balance."

The Government Accountant.

G 173. RESIDUALS EXPENSE.

This account includes all expenses specially incurred in connection with the utilization and sale of residuals and by-products, such as coke, tar, ammonia, carbon, etc.

NOTE.—Charges to this account may be made in such manner as to enable the corporation to show separately the following expenses:

COKE EXPENSE, including the cost of all labor and supplies specially consumed and expense specially incurred in the disposal of coke over and above what would be necessitated by such disposition if the coke were not sold. This includes the cost of any special preparation of the coke for sale and the cost of hauling such coke to points of delivery.

TAR EXPENSE, including the cost of all labor and supplies specially consumed and all expenses specially incurred in the disposition of tar over and above the expense that would be involved if such tar were consumed by the corporation. If both coal gas and water gas are manufactured and the resulting tars are separately disposed of, the tar expense shall be stated for each.

AMMONIA EXPENSE, including the cost of all labor and supplies specially consumed and all expense specially incurred in the preparation and sale of ammonia or ammoniacal liquor over and above what would be involved if such liquor were consumed or wasted by the corporation.

OTHER RESIDUALS AND BY-PRODUCTS EXPENSE, including the cost of all labor and supplies specially consumed and expense specially incurred in the preparation and disposition of other residuals and by-products than those provided for under the foregoing heads, over and above what would be involved if such residuals and by-products were consumed by the corporation or wasted.

G 174. GENERAL AMORTIZATION.

This account includes monthly charges of the amount estimated to be necessary to cover such wear and tear and obsolescence and inadequacy as have accrued during the month in the tangible gas capital of the corporation, such portion of the life of intangible fixed capital as has expired or been consumed during the month, and the amounts estimated to be necessary to provide a reserve to cover the cost of property destroyed by extraordinary casualties, less the amounts charged for that month to the various repair accounts in Gas Operating Expenses. The amount charged (or credited) to this account should be concurrently credited (or charged) to reserve account No. 37, "Accrued Amortization of Capital."

NOTE.—Until otherwise ordered, the "amount estimated to be necessary to cover such wear and tear and obsolescence and inadequacy as have accrued during" any month shall be based on a rule determined by the accounting corporation. Such rule may be derived from a consideration of the corporation's history and experience during the preceding five years, and the accrual may be on the basis of amount of gas sold. Amortization of intangible capital should likewise be based on rule.

G 175. INJURIES TO PERSONS AND PROPERTY.

This account includes all expenses provided for under the following heads:

Accidents and Damages.—All expenses (other than law expenses provided for under the following head) on account of persons killed or injured and property damaged in connection with the operation of the plant; salaries and expenses of claim agents, investigators, adjusters, and others engaged in the investigation of accidents and adjustment of claims; salaries, fees, and expenses of surgeons and doctors; nursing, hospital attendance, medical and surgical supplies; fees and

The Government Accountant.

expenses of coroners and undertakers; contributions to hospitals; amounts paid in settlement of claims of persons for personal injuries sustained in connection with the operation of the plant, and amounts paid in settlement of claims for damage to property not owned by the accounting corporation.

NOTE.—If it is desired that the charge to operating expenses on account of accidents and damages shall be upon some arbitrary basis, the amount so charged should be credited to "Insurance and Casualty Reserves," under account No. 38, "Appropriated Surplus—Reserves," and the actual disbursements above enumerated should be charged to such reserve account.

Law Expenses Connected with Damages.—All law expenses in connection with the defense or settlement of damage claims, such as a proper proportion of the salary and expenses of the general solicitor or counsel, and salaries, fees, and expenses of attorneys engaged in this work, fees of court stenographers, expenses connected with taking depositions, and other court expenses, and the cost of law books, cost of printing briefs, court records, and similar papers.

NOTE A.—The compensation of the general solicitor or counsel and other attorneys engaged partly in the defense or settlement of damage suits and partly in other legal work should be properly apportioned between this account and account G 168, "General Law Expenses."

NOTE B.—If it is desired that the charge to operating expenses on account of law expenses in connection with damages shall be upon some arbitrary basis, the amount so charged should be credited to "Insurance and Casualty Reserves," under account No. 38, "Appropriated Surplus—Reserves," and the actual disbursements above enumerated should be charged to such reserve account.

G 176. STATIONERY AND PRINTING.

This account includes all expenses for stationery and printing, stationery supplies, and postage, except as herein-after provided:

The cost of printing briefs and other legal papers should be charged to account G 168, "General Law Expenses," or to account G 175, "Injuries to Persons and Property," in accordance with the purpose of the printing.

The cost of printing signs, posters, and other advertising matter should be charged to account G 161, "Advertising."

The cost of such mechanical calculators, typewriters, duplicating machines, and other office appliances as are not properly capitalized, should, if for use in general offices, be charged to account G 167, "General Office Supplies and Expenses;" or, if for the use of departmental officers, to the proper departmental accounts.

G 177. STORE EXPENSES.

This account includes all salaries and expenses in connection with storerooms, including cost of sending materials and supplies from general storerooms to branch storerooms, and the collection of scrap material.

The Government Accountant.

G 178. STABLE EXPENSES.

This account includes the cost of feed, keep, and shoeing of horses, wages of stablemen and hostlers, veterinary expenses, and all other expenses of stabling horses; also the cost of repairing harness and vehicles.

G 179. MISCELLANEOUS ADJUSTMENTS—BALANCE.

This account includes:

Inventory Adjustments—Balance.—At least once a year an inventory of materials and supplies should be taken, and the difference (with respect to any particular class of materials and supplies) between the ledger and inventory balances debited or credited to this account under this head in case it cannot be assigned to a specific account.

Discounts on Materials and Supplies—Cr.—Credit to this account under this head all discounts received through the prompt payment of bills for materials and supplies consumed in operation, unless such discounts are applied to the particular bills.

NOTE.—Where materials and supplies have been used in construction as well as in operation, a suitable proportion of the shortages or overages disclosed by the inventory may be debited or credited to account G 330, "Miscellaneous Construction Expenditures."

Duplicate Gas Charges—Cr.—Credit to this account under this head all charges made to any accounts in gas operating expenses for any gas or other product of gas operations of the corporation consumed in such operations.

Gas Expenses Transferred—Cr.—Credit to this account under this head the proportion of operating expenses, including depreciation and other amortization as well as repairs, chargeable to other co-ordinate departments (such as electric or street railroad) within the same corporation, but defrayed in the first instance by the gas department.

NOTE.—This account should not be credited with any allowance in the nature of rent or return upon the cost or value of property.

Joint Operating Expense—Cr.—When any plant or equipment is maintained or operated by the accounting corporation for the joint benefit of itself and others under an arrangement for apportioning (on the basis of the relative amounts of benefit to the several participants) the operating expenses, the portion of such expenses chargeable to others under the arrangement should be credited to this account under this head. The portion so credited should not include any allowance for profit or return upon the value of such property.

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G 180. GENERAL STRUCTURES—MAINTENANCE.

This account includes the cost of repairing and renewing all buildings and structures (including permanent fixtures attached thereto and grounds and driveways connected therewith) devoted to general corporate purposes, used in its operations, and not assignable to any of the departmental accounts. This account includes such buildings as general office buildings, general shops, general storehouses, general stables, etc.

Association of American Government Accountants

Organized November 14, 1906.

Post Office Box 27, Main Office, Washington, D. C.

OFFICERS AND COMMITTEES.

Elected at the annual meeting held May 27, 1909, to serve for one year.

Officers.

Le Grand Powers, President. (Bureau of the Census.)
Alonzo Tweedale, Vice President. (Municipal Building, D. C.)
James L. Wilmeth, Treasurer. (Treasury Department.)
E. S. Hobbs, Secretary. (Interstate Commerce Commission.)

Standing Committees.

The Chairmen of these committees are Trustees, and together with the officers form the Board of Trustees.

Editorial.

J. P. Muller, Chairman. (Interstate Commerce Commission.)

Finance.

Theo. L. De Land, Chairman. (Treasury Department.)

Membership.

C. W. Barry, Chairman. (War Department.)

Lectures and Meetings.

Alonzo Tweedale, Auditor for the District of Columbia.

Library.

Samuel J. Barclay, Chairman. (Interstate Commerce Commission.)

Education.

Noble Newport Potts, Chairman. (Department of Commerce and Labor.)

OBJECTS OF THIS ORGANIZATION:

1. To unite in one organization employes of the Federal, State and Territorial Governments of the United States of America, and of the District of Columbia, including Municipal Officers and employes of City Governments having control of or participation in accounting, including the subjects of appointment, purchase, and issue or sale, collecting and disbursing, examining and auditing, bookkeeping, statistical and actuarial subjects.

2. To encourage and facilitate the adoption of economical, expeditious, progressive, and uniform methods in handling the accounting features of the fiscal operations of the Government.

3. To provide means for the technical education and independent study of its members—

First. By promoting and encouraging the study and discussion of questions of advanced and practical accounting and adaptations and improvement of methods.

Second. By originating and disseminating original essays and papers concerning the theory, law, and practice of accounting, and encouraging the expression of individual opinion on controverted points.

Third. By providing occasional addresses on particular features of accounting, either governmental or commercial, by persons outside the Association having expert technical knowledge and experience.

Fourth. By providing a library and a catalogue of the works on accounting and kindred subjects at present available in various local libraries.

Fifth. By advocating systematic instruction in accounting and administration in schools and colleges.

MEMBERSHIP:

The membership of this Association shall consist of three classes, Associate, Active, and Affiliated.

1. Associate Members: All Government employes whose titles or duties are those of accountant, actuary, auditor, statistician, bookkeeper, cashier, chief of division of accounts, comptroller, disbursing officer, examiner, inspector, law clerk, or purchasing agent, and generally all those having to do with the initiation, approval, settlement, audit, and record of fiscal transactions, as well as the Government Examiners for Banking, Insurance, Transportation or Public Service Corporations, are eligible for associate membership in the Association.

2. Active Members: Such persons as shall have been satisfactorily tested as to their qualifications shall become eligible for active membership in this Association.

3. Affiliated Members: Such persons as are, or may have been, in the Government service, and are actively interested in the subject of accounting, and whose attainments in that line are such as to merit such recognition, are eligible for affiliated membership in this association.

Association of American Government Accountants

Organized November 14, 1906

Post Office Box 27, Main Office, Washington

APPLICATIONS FOR MEMBERSHIP.

All applications by mail, for enrollment as Active, Associate or Affiliated Member should be addressed to the Secretary, P. O. Box 27, Main Office, Washington, D. C., for transmission to the respective committees.

MEMBERSHIP DUES.

payable annually in advance for

Active Membership.....	\$5.00
Associate Membership.....	2.00
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including one year's subscription to the Association's official organ. This subscription is not compulsory, and any member not wishing to be served with the magazine, may retain membership by deducting \$1.50 p. a. from his assessment, contributing to the General Fund of the Association only.

PUBLIC MEETINGS.

The Association of American Government Accountants is scheduled to meet at the hall of the Public Library, 8th and K Streets, N. W., Washington, D. C., on the first and third Monday in December, 1909, January, February, March and April, 1910.

MARCH 7, 1910.

Judge B. F. Harrah, Law Clerk in the Office of the Comptroller of the Treasury, will offer suggestions for Improvement in Accounting and Business Methods of the Federal Government.

National Association of Comptrollers and Accounting Officers

Organized February 14, 1906

Office of the Secretary, 280 Broadway, N. Y., Rooms 155-157

OFFICERS, 1909-1910.

**Alonzo Tweedale, President, Auditor District of Columbia,
Washington, D. C.**
**Howard C. Beck, First Vice-President, Public Accountant,
Detroit, Mich.**
**Richard M. Chapman, Secretary, Certified Public Accountant,
Department of Finance, New York City.**
S. M. Wilhite, Treasurer, Comptroller, Louisville, Ky.

VICE-PRESIDENTS, 1909-1910.

Frederick W. Carey, Auditor, Sacramento, Cal.
William McK. Evans, Accountant, Richmond, Va.
W. S. McCormick, Comptroller, Duluth, Minn.
J. H. Hansbrough, Comptroller, Tampa, Fla.
C. O. Lobeck, Comptroller, Omaha, Neb.
Edward E. Phelps, Chief Accountant, Pittsburg, Pa.
Edward Stetson Griffing, Comptroller, New Rochelle, N. Y.

OBJECTS OF THE ASSOCIATION:

"The consideration of improved methods of public finance and the extension of the movement for the installation of a uniform system of State and municipal accounting and reporting throughout the United States, and the promotion of legislation towards these ends."

MEMBERSHIP QUALIFICATIONS.

"All comptrollers, auditors or other accounting or fiscal officers of cities, counties and States in the United States shall be eligible to membership in the Association. Accountants regularly engaged in State and municipal accounting shall also be eligible to membership."

"Each member shall be entitled to a copy of the bound volume of the proceedings of the annual or other conventions of the Association, and to all bulletins or other special publications issued by the Association for the information and benefit of its members."

The cost of membership in the Association is Ten Dollars per annum.

Accountants' Association of the Interstate Commerce Commission

Organized May 5, 1908

1311 G Street N. W., Washington, D. C.

OFFICERS AND COMMITTEES.

Elected at the annual meeting held April 12, 1909, to serve for one year.

OFFICERS.

Fred W. Sweney, President.
Russell H. Snead, Vice-President.
Arnold C. Hansen, Secretary.
Edward D. Myers, Assistant Secretary.
Walter V. Wilson, Treasurer.
Charles V. Burnside, Assistant Treasurer.

STANDING COMMITTEES.

Executive.

Clifton F. Balch, Chairman. George M. Curtis.
Walter E. Burleigh. W. C. Sanford.

Program.

David E. Brown, Chairman. August G. Gutheim.
John Cruickshank. Gaston C. Hand.

Entertainment.

S. L. Lupton, Chairman.
Lewis A. Bell. William P. Bird.
C. V. Conover. Frank M. Swacker.

OBJECT:

The object of this Association shall be the discussion of topics of common interest, the promotion of efficiency and sociability among members and such other objects as may be approved by the Interstate Commerce Commission.

MEMBERSHIP:

The active membership of this Association shall be confined to Examiners, or other persons of a grade equivalent to Examiners, who are employed in the Bureau of Statistics and Accounts.

Any employee of the Interstate Commerce Commission may be elected to honorary membership.

Association of Government Disbursing Officers

GEORGE W. EVANS, President

SCOTT NESBIT, Secretary-Treasurer

Address all communications to the Secretary-Treasurer, in care of Coast and Geodetic Survey, Department of Commerce and Labor, Washington, D. C.

OBJECT:

The object of this organization is to increase and better enjoy social relationship between the members and by mutual help or advise to improve the efficiency of the individual as a responsible officer of the United States Government.

MEMBERSHIP QUALIFICATIONS

Any bonded officer of the United States Government whose annual disbursements reach or exceed One Hundred Thousand Dollars is eligible to membership.

U. S. Civil Service Retirement Association

P. O. Box 37, Washington, D. C.

OFFICERS:

M. F. O'Donoghue,	R. Stone Jackson, Treasurer.
President.	George W. Leadley,
Llewellyn Jordan, Secretary.	First Vice-President.
S. E. Faunce,	Jennie L. Munroe,
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MARCH, 1910

No. 11

Accounting, Auditing, Bookkeeping and Statistics

A HISTORICAL SKETCH.

By JEAN PAUL MULLER, Expert Accountant and Attorney-at-Law.
(Delivered before the Association of American Government Accountants.)

PART I.

In assuming the task of addressing a body of Government Accountants on accounting, auditing, bookkeeping and statistics, I feel it my duty to explain my choice of the subject. During the past three years of my connection with the Federal Service a great many requests have been made on me by fellow-workers in the statistical field, who, in one way or another, became acquainted with the fact that I had spent more than 15 years in the theoretical study and practical application of auditing and bookkeeping in its many forms, as found in Germany, France, Great Britain, and these United States, to explain the relative meaning of auditing, bookkeeping and statistics. In attempting to do so, I was astonished to find how little the co-relation of these three subjects is generally understood by men of practical experience. I have also become convinced that a great many earnest workers in either field might be benefited by a more complete understanding of the development of various accounting and bookkeeping forms and practices used by them daily as a matter of office routine. If, therefore, in my attempt to shed light in dark places, I am saying a great deal which is an old story to many among you, I ask your kind indulgence.

To begin then at the beginning as nearly as we are able to locate it, accounting, in the strictest sense of the word, began with the development of social life, and especially the for-

mation of states and sovereignties levying any form of taxation, which made a power of holding count and reckoning necessary. In this we find the origin of the science of accounting. It antedated the stating of accounts as we now understand them, since that could not take place until some monetary standard had been adopted in which the items composing an account could be expressed in terms of equality.

Some kind of organization must have been necessary, even in the earliest of these states to collect and account for public revenues. Through expeditions, such as conducted by the University of Pennsylvania, and the records they have located in their excavations of buried cities in Asia Minor, we know to-day that a regularly-organized government, called the Chaldean-Babylonian Empire, existed 4500 B. C., and had then reached such a state of civilization as to presuppose unknown ages of previous development.

A great deal might be said about the form of records and the material employed for making the same, but since my intention is to give an outline only of a subject which, in its complete form, covered more than 40 lecture hours, you will pardon me for dismissing the 3,000 years or so of Babylonian greatness with reference to a monument discovered at Susa on which is inscribed the Code of Laws promulgated by Hammurabi, who reigned in Babylon from 2285 to 2242 B. C. Among other paragraphs relating to commerce we find:

(104.) If the merchant has given to the agent corn, wool, oil or any sort of goods to traffic with, the agent shall write down the price and hand over to the merchant; the agent shall take a sealed memorandum of the price, which he shall give to the merchant.

(105.) If an agent has forgotten and has not taken a sealed memorandum of the money he has given to the merchant, money that is not sealed for, he shall not put in his accounts.

A large number of records exist of about this period dealing with sales, hiring, money lending, partnership, etc.; among them are certificates of delivery which show how the raw materials were delivered into the establishments of rich citizens and how the finished products were delivered from them. They also indicate how long the laborers worked and what wages they received.

Of less antiquity, but fully as important, must be considered the commercial history of the Nile Valley. The use of money was unknown and the fiscal receipts and payments under the Pharaohs were in kind, so that the Governmental Treasury necessarily partook of the character of the farm, the warehouse, and the factory, since cattle received as taxes had to be pastured until they were converted into food; corn must be stored and later bolted, ground into flour and made

The Government Accountant.

into bread; woven material must be cleaned and fashioned into wearing apparel. The scribe was all-important and omnipresent. Nothing could be received or delivered without being noted by him with the greatest care; nothing was given out of the treasury without a written order. Dishonesty on the part of workmen was guarded against by double recording of the same transaction at different stages, and elaborate checking of the scribes' records against each other.

The Phœnicians, the Carthaginians, and the Rhodians no doubt practiced methods of accounting suitable to their great commercial development, although history gives us little reliable information on the subject.

In the case of the Israelites, the Bible furnishes us with a number of references to matters of accounting, but after the Egyptian, the next nation of whose methods of accounting we have any real information is the Athenian.

Their system of taxation was fundamentally excellent and administratively well regulated. Collectors were employed by districts. These subordinate officers delivered up the revenues to others, who either distributed them for the public service or kept them for security. Lists of those indebted to the State were kept by government receivers. These officials finally received and entered the money paid in, and, with the Senate, they assigned it to separate officers.

The most important of the officers of finance was that of Treasurer or Manager of the Public Revenue. Aristides, Lysias and Lycurgus may be mentioned as having held this office. Like every other officer, the Treasurer of the Public Revenue was subject to the restraint of legal checks and the will of the people. He appears to have occupied a position very similar to that of the British Chancellor of the Exchequer, superintending the whole revenue and expenditure.

In addition to innumerable treasurers (of the goddess, of the tribes and burghs, of the general, etc.) there were secretaries or clerks. The entering of the receipts and payments and the respective purposes to which the moneys were assigned, the noting of acknowledgments of payments, and the passing or auditing of the accounts, came within the department of the secretary or clerk. There was a checking clerk of the Senate for money received, a checking clerk of the highest authority for disbursements, and there were a number of subordinate checking clerks for each group and each district. The public accounts being kept by the clerks and the controlling entries by the checking clerks, it was thereby possible to make a close scrutiny at the expiration of every official's term of office. Every one who had had any share in the government or administration, from the Senate downwards, was subject to this scrutiny.

While there was no lack of well-conceived and strict regu-

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lations, the execution seems to have been by no means flawless. All financial officers were sworn to administer without peculation the money entrusted to them; "but in Greece," says Polybius, "if the State entrusted to any one only a talent, and if it had ten checking clerks, and as many seals, and twice as many witnesses, it could not insure his honesty."

To insure publicity, the accounts of public officials were engraved on stone and exposed in public. Some of these accounts still exist, and specimens of them are among the Elgin Marbles in the British Museum.

No mention is made anywhere as to the manner in which this marble inscribing was handled, or whether Greece possessed an equivalent of our Government Printing Office; nor how long a period elapsed between the order for perpetuation in marble and the time when they were actually exposed to public view, but we are led to believe that it mattered little how much time was taken, so long as the former official's record appeared before his demise.

The Romans possessed the genius of administration as well as of jurisprudence. Their system of financial administration, which began with the simple arrangements required under the Kings and the Republic, developed into the elaborate and complicated organization of the enormous Empire.

In order to obtain a clear view of the subject, it is necessary to look at it in three divisions: (1) under the Kings and Republic; (2) under the earlier Empire, and (3) under the later Empire; that is to say, from the time of Diocletian.

In the original constitution of Rome there was no regular taxation, nor was there any direct regular State expenditure. The State gave no recompense for service in the army or for public service generally; so far as there was such recompense at all, it was given to the person who performed the service by the district concerned in it, or by the person who could not, or would not, perform the service himself. The King managed the finances—how far he was restricted by use and wont in the administration of public property is not now known. The receipts consisted chiefly of port dues, income from domain lands, cattle fines and confiscations, and the gains of war. A special tax was sometimes imposed, but was repaid if circumstances permitted.

It is under the Republic that we first see the idea of a treasury of the Roman people, governed by the Senate, administered by the consuls, and managed by the quæstors. These were the first elements of the financial organization, created for a municipality, which developed with the growing requirements of the State, until we see it under the Empire spreading like a network over the greater part of the known world. The system of recording the State accounting in Rome was based on the system practiced in private life from very

early times. The father of the Roman family entered in a sort of waste book (*adversaria*) all the receipts and payments of his household. He posted these monthly to a carefully-kept register of receipts and payments (*codex accepti et depensi*), in which an entry, made with the consent of the debtor, was considered as a good ground of civil obligation. Bankers, of whom there were many at Rome, and merchants used similar registers down to the time of Justinian. Bankers appear to have also kept a third kind of register, called the book of accounts (*rationes, liber rationum*), probably arranged in alphabetical order, in which an account was kept for each customer, a page being allotted for the debits and a page for the credits. The accounts were balanced at certain agreed-on times, the banker being bound to render an account, and to produce, if required, an extract of the account before the praetor. The fidelity of the bankers was placed under the supervision of the prefect of the town, and, in the provinces, of the governor. When the balance of the account was at the credit of the customer, the banker had to pay the amount to the customer, unless he was authorized anew to retain it. Sometimes the Roman citizen paid his credit in cash, kept usually by a cashier, who was a slave; but more frequently the father of a rich family paid by means of a sort of cheque on his banker.

From the earliest times the Romans recognized the essential distinction between the person who imposes taxes and authorizes expenditure and the person who is responsible for the actual receipt and payment. Under the Republic, legislative control over the public revenue and expenditure was in the hands of the Senate. Subordinate to the Senate, the consuls were first entrusted with the power of ordering payments, having to account to the Senate for their intromissions; but in 443 B. C. this power was taken from them and given to the censors, who thereafter became the real ministers of finance. The general administration of the domain of the State was one of the principal functions of the censors, who also let the farming of the taxes to republicans in the presence of the quaestors of the treasury, and to whom credits were voted in the quinquennial budget of the Senate. All receipts and payments having been ordered or authorized by the magistrates, the actual receipt and payment was the special work of the *quaestores aerrarii*. There were originally two of these officials, then the number was increased to four, and, under Sulla, to twenty. The two quaestors had charge of the keys of the public treasury (*aerarium Saturni*), and even of the reserve fund (*aerarium sanctius*), the latter of which could only be used in virtue of a special vote of the Senate, followed by an order of the magistrates. They had offices, with numerous assistants, in the Temple of Saturn. There were also quaestors

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of the army and navy, appointed to each commander by the comitia, having charge of the military and naval receipts and payments, and, later on, provincial quaestors attached to the proconsuls, who managed the local tribute and provincial expenditure, all of whom had to account to the town quaestors at the central treasury, their directors and correspondents.

The scribes of the treasury, under the orders of the quaestors, recorded the transactions in *tabulae publicae*, a species of journal analogous to the *adversaria* of the father of the Roman family. A monthly register was also kept, resembling the *codex accepti et depensi*, in which the receipts and payments were entered separately and regularly, with particulars of the dates, the names of the persons paying or receiving, the nature of the transaction, and the balance of each account at the end of the month. There was also a register of debts (*calendarium*), and there were special registers for the current accounts between the treasury and the military cashiers, who exchanged letters of credit with the quaestors of the provinces.

All expenditure had to be legally authorized and regularly ordered by a competent magistrate, and could only be discharged by the production of the formal order, supported by documents tending to guarantee the existence and liquidity of the debt, the title of the creditor, and the execution of the work indicated by the order. The identity of the magistrate ordering payment and of the creditor had, if necessary, to be attested by witnesses.

The quaestors on demitting office rendered an account to their successors of the state of the funds and of the condition of the registers, and they also submitted accounts of their administration to the Senate, the meetings of which body they attended for the purpose of advising regarding the credits asked for by the magistrates, and financial business generally, and in which in later years they had seats. The accounts of the subquaestors were also submitted to the Senate, as well as to the central quaestors.

These various regulations rendered fraud very difficult, in Rome at all events, their observance being under the supervision not only of the Senate, but of the censors, consuls, and each member of the college of quaestors. Every illegal act could be easily nipped in the bud, or at least the offender could be prosecuted by the tribunes. From the sixth century of Rome, however, financial abuses crept in. The wars of conquest, along with the establishment of provinces, led to the increase of the public resources and needs, to the long duration of the magistrates' terms of office, to the abuse of proconsular authority, and finally to disorder and even anarchy in the whole government. The organization of Rome, suitable for a municipality, was ill adapted to the requirements of a great State. The governors, all-powerful outside the pre-

cinets of the city, and exempt from all local supervision, respected as little the rights of the treasury as the feeble guarantees of the provincial constitution. The generals, not content with enriching themselves at the expense of the enemy, adopted also in their turn independent and almost kingly state. Several laws were passed to repress abuses in financial matters—the Calpurnian law in 149 B. C., the Cornelian law of Sulla and the Julian law of Augustus—but they had but little effect. Salutary regulations were ineffective, owing to the absence of a judicial control powerful enough to repress the abuses of financial administration in the hands of an unscrupulous aristocracy, or to apply a remedy to the vices of the too-municipal organization, or to the excesses of the sovereignty directly exercised by the factious and corrupt comitia.

With the Empire, in spite of the official maintenance of the national sovereignty, public government assumed a dual form, that of the Senate and that of the Emperor. The provinces and the magistratures were divided into Senatorial and Imperial: the treasury, into the treasury of the people, that of the Emperor, and that of the army; and officials, rules, and responsibilities were multiplied. While republican forms were at first retained, all authority became concentrated more and more in the hands of the Emperor, until the last trace of representative government disappeared, with the rights of the Senate over the treasury and the right of consent to the imposition of taxes in the name of the Roman people.

At first Augustus endeavored to maintain the unity of the public treasury, but the necessities of a standing army gave rise to the establishment of a military treasury, and the establishment of a treasury of the Emperor. The *aerarium populi* or *Saturni* was taken as the model of the new creations, and its jurisdiction was restricted abroad within the borders of the Senatorial domain. Instead of the two town quaestors elected by the comitia, who were often young and inexperienced politicians, two praefects were elected by the Senate from among the members of the rank of ex-praetors, under the title of *praetores aerarii*, or *ad aerarium*. Later, election by vote not appearing to be the best method of appointing the chiefs of the treasury, Claudius restored the office to the quaestors, but chosen from among the college of quaestors by the Emperor, under title of *quaestors aerarii Saturni*. A further change was made under Nero, who, in 56 A. D., confided the office to two Senators of praetorian rank, who took the title of *praefectu aerari Saturni*. Finally, under Diadumenus, a *rationalis* or *procurator* was put at the head of the treasury.

A sort of budget of expenditure was drawn up by the Emperor. It was accompanied by statements of the fiscal cash at the beginning and end of the year, of the annual produce of the farm, of the indirect taxes, of the amount of the trib-

ute, and of the poll tax of the provinces. The whole formed a statement called *rationarium*, or *breviarium imperii*.

In the early days of the Empire the power to order or to authorize the expenditure included in the Senatorial budget continued to belong to the censors, and failing them, usually of the consuls. These magistrates exercised this prerogative only within the limits of the quinquennial budget, or the credits specially voted by the Senate, and they acted under the control of the Emperor. Special curators were gradually substituted for these magistrates. The expenditure of the military treasury, of the crown lands, and of the Emperor's treasury, was directly controlled by the Emperor through his officials. Under Hadrian, the knight invested with the department of the finances received the title of *procurator a rationibus* with the rank of *perfectissimus*. There was also created, probably under Marcus Aurelius, a subdirector under the name of *procurator summarum rationum*. The finance minister in the third century received the name of *rationalis*, which title was extended later by custom to the fiscal procurators of the provinces. The staff of the minister of finance consisted of a great number of officials, whose titles have been preserved to us by inscriptions, which do not, however, inform us of their respective functions.

The central accounting office was called *tabularium*, where the work, under a superintendent, was carried on by the book-keepers or *tabularii*, the *approximi* and the assistants, the latter being often slaves.

The *quaestors* in the Senatorial provinces, subordinate to and correspondents of the central treasury, preserved their former functions with respect to the goods and rights falling to that treasury, and the subordinate officials corresponded to those of the central treasury. In the third century they were replaced by imperial governors of the provinces (*Procuratores* or *rationales Caesaris*).

The accountants of the military treasury were originally similar to those of the public treasury, but under Hadrian the collection was entrusted to a special administration with a central treasury at Rome, and with offices also in the provinces.

With regard to the administration of the private property of the prince and of that of the fisc, comprised at first under the name of *patrimonium privatum*, originally freedman, and even slaves, fulfilled at Rome the duties of cashiers. There were fiscal procurators, and a chief of the office of *tabularii*. There was a department of public works and a special treasury in connection with the *patrimonium* with cashiers and their assistants. The inscriptions do not furnish any trace of a central administration or a treasury at Rome for the fisc before the reign of Claudius. The free funds proceeding

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from the governors of the provinces were deposited in certain temples at the disposal of the director of the fisc.

The governors of the provinces had numerous officials under them. They had often a subdirector, accountants or bookkeepers, mostly freedmen, and superintended by a chief of the office, and cashiers, who were mostly slaves. The funds not employed in local expenses were capitalized or sent to Rome. In fact, besides the central treasury of the province, there were district treasuries, independent of the stations of publicans placed under the supervision and control of the governors of Augustus.

After the time of Claudius a procurator patrimonii administered at Rome the domain of the Emperor, having a staff of calculators, bookkeepers, and messengers. In the second century we find superintendents of the patrimony, having complete offices and a special treasury with cashiers. Under Septimius Severus a greater separation was made between the fisc and the *Res privata*, the latter being administered at Rome by a procurator *Reo privatae*, and in the provinces by special procuratores.

The communal accounting was on much the same lines as that of the old public treasury. The verification of all the necessary deeds was confided to the chiefs of the scribes of the treasury. There were a large number of these scribes, of whom Horace was one.

All the innumerable officials—the quaestors, praetors, or praefects of the public treasury, the proconsuls of the Senatorial provinces, the provincial quaestors, etc.—had to render accounts of their intronisations to the Senate, to the Emperor, or to their superior officials, as the case might be. The administrative control was, however, far from complete or permanent, and in spite of severe penalties, bribery and corruption flourished. During the Empire, the great principle of separating the power to order payment from the power to handle money disappeared, with disastrous results.

Under Diocletian the government was divided into four centers of administration, or praefectures, having each its praetorian praefect, its vicar, its army, and its finances. Diocletian multiplied and subdivided the provinces and arranged them in twelve dioceses. The three classes of governors, the proconsuls, the consuls, and rectors or presidents, were placed under the supervision of the vicar of the diocese, of the praetorian praefect and of the Emperor. The provincial administration was centralized under the praetorian praefect, and was under a powerfully-organized regime. The reforms begun by Diocletian were continued and completed by Constantine. The minister of the public treasury received the extraordinary title of count of the sacred largesses (*comes sacrarum largitionum*), “with the intention, perhaps,” says Gibbon, “of in-

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culcating that every payment flowed from the voluntary bounty of the monarch;" while the minister of the domain of the Emperor was styled *comes rei privatae*. The three treasuries were now the public treasury (*aerarium privatum* or *sacrae largitiones*), the crown treasury (*aerarium privatum* or *privatae largitiones*), and the treasury of the praetorian praefect (*arca praefecturae*). The *aerarium sacrum* seems to have corresponded very much to the old *aerarium Saturni*, but it was no longer under the control of the Senate. It received in general all that arose from public contributions in gold or in money, and the crown treasury in general all the other revenue, except the tribute in kind, which went to the treasury of the praefect for the requirements of the army.

The Emperor having fixed the amount to be raised by each praetorian praefect, the praefect issued an order for his praefecture, and divided the required amount among the various dioceses. The vicar in his turn divided the amount allocated to his diocese among the provinces therein, and, lastly, the rector divided the amount allocated to his province between the cities and districts. The amount allotted to each of the rectors was divided by the number of taxable units, thus giving the portion payable by each owner. The chief decurions of a city had to prepare, by means of the director of the archives and of the local accountant (*tabularius* or *logographus*), the principal assessment roll, which was sent to the rector for approval. The latter examined the roll by his director of contributions (*numerarius*), and returned it as approved to be published and sent to the receiver for the purpose of collecting the contributions, and a copy of it was sent to the exactores to recover contributions in arrear. The contributors had to pay to the local receiver or cashier of the tribute in exchange for a receipt delivered to them by the annotator of the receiver, the contribution being recorded by the local accountant and noted on the margin of the roll. Thereafter, the competent decurion had the receipts transferred to the treasury of the receiver-general of the province attached to the director-general of the finances of the governor. Thus the records of the local accountant acted as a check on the transactions and records of the receiver of the city. In like manner, the records of the director of the provincial finances checked the transactions of the local accountants, and showed to what extent they and the exactores had accomplished the work of recovering the contributions. They served also to check the accounts of the receipts of the chief receiver-general. The receiver-general of the province had to send the money received, under the seal of the central accountant, to the treasurer of the public treasury, intimating to him its dispatch. On his part, the governor had to send by his accountant to the same official a statement of the rolls for the

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- four months to enable him to check the amounts which had been sent to him, and if necessary direct the palatini against any governor who was negligent or in arrear. Thus the collection in each province was thoroughly organized and controlled. Moreover, the public treasurer had a staff of inspectors for the purpose of controlling the accounts of the receiver-general and of the accountant both of the province and of the city.

It is unnecessary to describe the arrangements for the recovery of the other income, which were similar in character, or to give the names of the host of employes—those administering the tribute in kind, flowing into the treasury of the praetorian praefect, and those under the direction of the count of the crown treasury. The indirect taxes were still let to publicans.

The central organization was no less elaborate than that throughout the provinces. The count of the public treasury had an office divided into ten departments, and twelve under Justinian, of which eight were occupied with the accounting. The count of the treasury corresponded with the counts of the largesses in the dioceses, one of whom was in each diocese, with the governors or rationales, one of whom administered several provinces, and, with the procurators of the manufactures, the accounts of all of whom were submitted to him. The minister of the domain of the crown also had a large central office, divided into four departments, for the examination of the accounts of his numerous agents.

The fundamental distinction between the official authorizing expenditure and the official responsible for the actual payment, which was so clearly recognized under the Republic and in the earlier days of the Empire, but which was departed from later, was re-established at least in the provincial administration, as is shown by the words: *qui aurum largitionale susceperunt, nihil cum arcae ratiociniis habere commune*. Moreover, every accounting official had to render an account of his administration to his superior official, the chief minister accounting to the Emperor. All this elaborate machinery, with its carefully devised checks and counter-checks, signally failed, however, to attain its object, lack of efficient control rendering nugatory the most skilfully-devised arrangements.

After the fall of the Western Empire (dating that event from the election of Odoacer as Patrician in Italy), while elaborate methods of accounting were continued in the Eastern Empire, as we have seen, Roman accounting traditions were continued for a time in Italy by Odoacer, the Scyrrian, and Theodoric, the Ostrogoth, and in later years in the ecclesiastical organization. The Pope we know possessed enormous revenues, and was at the head of a large administrative body, having an *arcarius*, or treasurer, a *sacellarius*, or cashier, and

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a *protoscriniarius*, who, an Italian writer informs us, was at the head of a staff of officials similar to that of the Eastern Emperor, and who had to be an accountant. In the year 1001 we find also that there was a high official on the papal staff called *logothetam*, whose duties latterly were those of an accountant (*ratiocinator*). But with Italy a prey to barbarian invasions and internal struggles, little information regarding matters of accounting can be looked for there until we reach the times of the communes and the maritime republics.

Before leaving the dark ages, however, we may pause for a moment to refer to the enlightened arrangements established by Charlemagne in the Frankish Empire, which are especially remarkable in view of the barbarism prevailing elsewhere. An ordinance of that Emperor of the year 812 contains elaborate instructions for the management of the imperial estates. It prescribes that accounts of income and expenditure shall be kept and rendered. Every *judex* (the *judices* were stewards on the *villae* or estates of the Emperor) was required to report yearly at Christmas, separately, distinctly, and in order, what he had out of his administration—rents, duties, fines, farm produce, etc. "In all the foregoing, let it not seem harsh to our *judices*, that we require these accounts, for we wish that they, in like manner, count with their subordinates, without offense."

The primary object of accounting and auditing among all nations we have reviewed was the prevention of dishonesty on the part of those who were charged with the custody of governmental belongings, and those who in any manner were concerned in their collection, receipt, or disbursement.

All governmental accounting in this country, until a recent period, has followed the same line of thought, building up an extensive system of checks and reviews for the purpose of protecting the governmental funds after receipt, from dishonest employes, but giving comparatively little weight to the functional order of receipts and disbursements. Only very recently has a tendency been noted to recognize the necessity of modern methods in handling the present enormous finances of our central government, similar to those being employed by all large industries and commercial enterprises.

Let us attempt to trace, therefore, the various stages of non-governmental accounting development, so that we may get a clearer view of the principles it involves and the results it aims to accomplish.

Not until the time of commercial development of the free cities of the Italian Peninsula do we find a consistent attempt again being made to keep account, in chronological order, of trading transactions, and the subsequent rise of similar free cities in Holland and North Germany fostered an inter-

change of commodities and made the adoption of customs necessary, which were later incorporated in the so-called Law Merchant. Understand that in those early days, and even in the middle ages, manufacturing in the nineteenth century sense was absolutely unknown in central Europe, whatever may have been the experience of the Far East, Asia Minor, Greece and Rome. All transactions among the bulk of the population were in the nature of barter, which required no bookkeeping, since any one could tell by the volume and quality of the possessions immediately under his eye what his prosperity amounted to. Later, as under Roman influence the various northern tribes became settled, their wants became more diversified. The necessity for local mediums of exchange became more apparent and various governments began to use disks of the precious metals to satisfy this demand.

Instead then, of each individual arranging with his neighbors for an exchange of his surplus product, be they of the chase, the soil, or the results of manual labor, depots quickly sprang into existence which acted, in effect, as clearing houses for large settlements, paying each one in coin of the realm for goods received from him, and exacting payment in coin for goods delivered to him. At least this was the general practice through southern and southwestern Europe during the eleventh and twelfth centuries. It was no easy matter for any given district to become excessively prosperous then through over-production, because of the almost constant petty warfare which went on. However, some localities did manage to produce more of a certain commodity; perhaps the soil of that particular neighborhood was extraordinarily well suited for a particular kind of grain, while some other locality, such as the seashore, might have a surplus of fish and insufficient or no grain supply, which naturally produced interchange and consequent transportation of commodities by, from and to widely-separated localities. Through the Romans certain eastern luxuries had also been introduced, which necessitated similar trading expeditions to Italy, and with others went by land as far as East India. Greatest among these overland trading concerns was undoubtedly Flügger Brothers, of Nuremberg, which house existed for at least 200 years, and gives us the first authentic clue as to the origin and development of commercial banking as we know it to-day.

It was my good fortune some 20 years ago to be permitted to handle and inspect a number of old account books of this firm, which had survived the ravages of several centuries, as also a few of the old account books of one of the North Sea "Hausa" coastwise trading associations, from which I learned more than all the old treatises I have read before and since could tell me. At the risk of becoming tiresome, let me explain that the fundamental books then consisted generally

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of a stock book, in which the goods, wares and merchandise in quantity and kind were entered in detail when received by the trader, some employing a columnar right-hand page and the left-hand page for descriptive text, and others devoting one page to each class of goods or kind of merchandise. The sales were, of course, similarly recorded, so that stock supposedly on hand could be ascertained at any given time from this book, and verified by actual count in the storerooms. The number of commodities constituting the basis for the world's commerce were ridiculously few, even then.

We find a book called the Memorial, roughly corresponding in its use to our day book, in which a record of all transactions was made as they occurred, and from which transfer entries were made in the Journal so soon as the details were sufficiently cleared to establish definite debits and credits. From this Journal, which, as then used, was simply a clean copy of the day book, the entries on the Ledger were made, charging each person with the value of goods or coins received from the trader, and giving credit to each person for goods or coins received from him.

What system was followed to regulate the original entry we can only surmise; the safest supposition would seem to be that little regularity prevailed, and that most transactions were completed by means of personal interview, discussion of terms and verbal transmission of the nature of the deal by one or both parties to the same, to the person making the original entry in the Memorial. Possibly the person charged with the custody of the goods on hand took pains to see that each delivery made by him was properly entered in the Memorial. It is hardly likely that any written notice passed from the storekeeper to the bookkeeper, even in the largest trading posts, (1) because they frequently were one and the same person; (2) because when not the same, the storekeeper probably was some husky picked for his physical strength who could neither read nor write; and, (3) even had both parties been so well educated, the material used for writing purposes being very valuable, personal or verbal transmission was more natural.

Just when and how the arrangement of grouping the debit items on the left and the credit items on the right-hand page of books came into general use it is impossible to ascertain accurately. All we know is that the words "Debitere" and "Creditere" were used in Italian single-entry bookkeeping before the development of the system known as double entry. The method universally used to-day of separating the descriptive part of an entry from the numeric part, and arranging the numerals denoting the amounts in columns, numbers of equal weight in the same columns under one another is of more recent origin than generally supposed, and even after

this method came into use it was by no means easy to keep accounts correctly, because of the great diversity of coinage, which necessitated the adoption of some standard, not local, and the conversion of each coin into its corresponding value in the standard coin adopted for bookkeeping purposes.

It may be safely assumed that this exchanging of different moneys became such a large part of the work in a trading establishment and the opportunities for profit, apart from the original trading transaction, which it presented, soon led to its establishment as a separate branch of business, and we know that Fluggers Brothers, in trying to find work for the immense capital which generations of trading Fluggers had piled up, finally acted as money lenders to a number of princes at war, frequently to both sides of the same conflict, themselves being, of course, strictly neutral and perfectly content with the enormous rewards for the loan which the victorious side almost always was willing to give up. Thus we see the first beginning of banking as it is to-day. One branch the exchanging of different currencies for a consideration; another branch, that of furnishing capital for the enterprises of others against a reasonable pledge for payment of principal and a share of the profit resulting from the use of the capital by the borrower; and a third branch, of comparatively recent origin, is that of accepting the accumulations of others, not for safe keeping, but for use as earning funds, same as its own capital, with the promise of a small participatory share in the accruing profits.

Another peculiar feature of these early books of account which impressed me very much was the utter absence of fiscal periods, and the rarity of any attempt to close the books for the purpose of obtaining either a balance or a statement of affairs. No doubt the latter were abstracted at irregular intervals, perhaps at the deaths of owners or partners, but if so, no permanent entries were made to show it. Trial balances seem to have been regarded not as essentials, but merely as auxiliary memoranda, not worth preserving.

(In a subsequent article the development of accounting in the British Isles will be discussed at length, and this second installment will be followed by a third, treating of the evolution from single into double entry bookkeeping, the relative merits of both systems, and their present application.)

The Accounts of a City.

By RICHARD M. CHAPMAN, C. P. A.

(Conclusion.)

The foregoing outline of the operations of the city treasury and of the sinking funds completes the circle of action and expresses broadly every governing consideration. Reduced to the simplest equation, the Balance Sheet of a municipality contains, apart from the sinking funds and the principal of the City Debt, only four essential or primary elements, viz:

ASSETS.

C. Cash—Money in Treasury.
A. Accruals—Collections Pending.

LIABILITIES.

F. Funds—Unexpended Credits.
W. Warrants—Payments Pending.

The general action of the accounts occasions only five movements between the above elements, viz:

1. Creation of funds by charge to C. and credit to F.
2. Creation of funds by charge to A. and credit to F.
3. Collection of accruals by charge to C. and credit to A.
4. Expenditure from funds by charge to F. and credit to W.
5. Liquidation of warrants by charge to W. and credit to C.

The action of the sinking funds is substantially a repetition of the city general account above shown, while the principal of the city debt involves merely the alternation of charges and credits between the whole and its parts. It will be readily perceived, however, that all matters strictly of detail have been studiously avoided for the obvious reason that the treatment of any particular feature of the accounts of any particular city with respect to the precise forms of the entries and of the books that contain them, to be intelligible, would necessarily entail a thorough and exhaustive exegesis, covering every point of procedure and accounting process, and tracing the action and reaction throughout the entire train of articulation. While such a treatment of detail would undoubtedly be illuminating and interesting, it would, if currently interpolated in the foregoing thesis, not only interrupt the thread of the broader argument under consideration, but contribute only the qualified value that attaches to purely local conditions and the peculiar expedients neces-

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sarily consequent thereto, with possibly only remote adaptability to the situations and requirements that obtain in other municipalities.

There are, however, some matters of detail which strike so close to the root of our subject, regarded in its broadest aspects, that I would not feel justified in bringing this treatise to a close without turning up for closer inspection a few of such details.

The procedure for signing and disbursing warrants which obtained in the Comptroller's Office of the city of New York prior to September, 1908, was discontinued, and in place thereof there has been devised and installed a new system which includes the scheduling of warrants in numerical sequence and in *octuplicate* by the use of typewriting and listing machines with adding attachments.

This device provides a full series of schedules to each of the following, viz: the bookkeeper, the auditor, the comptroller, the mayor, the chamberlain and the disbursing clerk, as well as to the commissioners of accounts and the record room, containing in every instance (except the last two) the receipt of the official to whom the succeeding copies and accompanying documents were transmitted in regular course; and upon being placed in loose-leaf binders, provides, by means of the one original writing, a record in each of the several offices, where formerly a registration by hand was necessary.

In connection with the use of schedules of warrants prepared in the manner stated, the method of operating the fund ledgers and disbursement records has been brought into conformity with the following plan, viz:

As the most direct method for conducting fund accounts and also for the effective fulfillment of the purposes for which they are kept, the following accounting expedients were developed:

1st: That the charges against each and every fund shall comprehend three distinct and collateral subjects or elements, viz:

- (a) Vouchers transmitted by department,
- (b) Warrants registered for expenditure,
- (c) Payments reported by chamberlain,

which, being opposed to the credit or provision, will currently establish—

- (a) The departmental balance,
- (b) The comptroller's balance,
- (c) The chamberlain's balance.

2d: That (a) the vouchers transmitted daily by the several departments; (b) the warrants daily transmitted by the bureau of audit; and, (c) the payments periodically reported by the chamberlain be currently registered, arranged and collated in such manner as to develop a daily total of (a) and

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(b), and a periodical total of (c); and, concurrently, the sub-totals or component parts thereof chargeable to each specific fund, and to which they are severally posted day by day in solid formation, occupying three parallel columns provided therefor.

3d: That each fund account be opened by entry of initial credit or provision in a column provided therefor, in which column further credits by way of supplementary provisions and transfers from other funds will be entered and added, and transfers to other funds will be entered and deducted, so as currently to show the status of the initial provision. Two further credit columns will receive entries of warrants canceled and cash refunds, which, being direct abatements of charges, will be so separately stated for ready deduction therefrom.

As the maximum number of charges to each fund account will require but one line a day, the ruling of the fund ledgers will be substantially as follows:

TITLE OF FUND.						
CHARGES.						
Date.	Vouchers Transmitted.	Warrants Registered.	Payments by Charberlain.	Journal Debits.		
(1)	(2)	(3)	(4)	(5)		
CREDITS.						
Date.	Title of Complementary Accounts.	Folio Reference.	Journal Credits.	Warrants Cancelled.	Cash Refunds.	Initial Credit.
(6)	For transfers, or Particulars of Cash Refunds, Journal, &c.	(8)	(9)	(10)	(11)	(12)

4th: That a record of the disbursements of each fund be kept, in which will be entered, by direct posting from the original documents, the individual vouchers, warrants and clearances, together with full descriptive text of each item. These books will be ruled to provide for the following particulars:

TITLE OF FUND.				
VOUCHERS.				
Dept. No.	Date Rec'd.	Name of Payee.	Nature of Expenditure.	Amount.
(1)	(2)	(3)	(4)	(5)

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WARRANTS.

Ref.		Date Registered.	Warrant No.	Amount of Warrant.				
War.	Vo.			Total.	Contract.	O. M. O.	Pay- roll.	Misc.
*								
(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
CHAMBERLAIN.								

Ref.		Date Paid.	Line No.	Amount.
Line No.	War.			
**				
(15)	(16)	(17)	(18)	(19)

* All vouchers not followed by warrant reference being in process of audit or held up.

** All warrants not followed by Line No. reference being outstanding or unpaid.

5th: That the several classes of funds, viz:

- (a) Appropriation,
- (b) Special Revenue Bond,
- (c) Corporate Stock,
- (d) Special and Trust,

be made the subject of separate fund ledgers, for which controlling accounts will be operated in the general ledger.

6th: That all accounting processes employed for the purpose of maintaining order, contract or invoice reserves, based upon estimated values, and thereby checking unwarranted delay in transmission or audit and preventing over-certification, will be conducted as auxiliary devices, separate and apart from the double entry records of the established values forming the immediate subject of the voucher and warrant action previously described.

PROCEDURE FOR THE DAILY COLLATING, POSTING AND AGREEING OF CHARGES TO FUNDS.

VOUCHERS.

Upon the receipt by the bookkeeping division of the schedules and accompanying vouchers transmitted by the several departments the following procedure is recommended:

1st: The vouchers are forthwith posted, item by item, to the fund accounts in one or the other of the several records of expenditures.

2d: The schedules are forthwith entered into one or the other of the several registers of voucher schedules, resting in daily totals.

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3d: The items upon the schedules are thereupon collated, in pencil, under fund titles upon small tickets—one ticket daily for each account moving, which tickets are kept in order by means of a card index file, noting in each instance the schedule number, voucher number, and amount. When, however, two or more vouchers chargeable to the same fund are grouped together on the same schedule only the total of said groups need be entered on the collating ticket, stating the first and last voucher number of the group series. *The fiscal day should close at 3 p. m., and all schedules and vouchers received thereafter be made a part of the succeeding day's date.*

4th: Upon the completion of the collating tickets they are listed in their file order in bound journals of voucher charges, one corresponding to each fund ledger, forming a sequential list of the titles of funds moving on each day and the total day's voucher charge to each fund, the total sum of which must agree with the total sum of the schedules registered under action No. 2. To provide a ready means of audit, the particulars of each fund charge as appearing on the ticket may be entered in an indent column of the journal and the total of each account extended.

5th: As rapidly as the tickets are added, totaled and listed in said journals, they are passed along, without disturbing their order, to the ledger clerks, who post them to the corresponding accounts in the fund ledgers, stating only day's date and total of each ticket, which is the total daily charge to each fund.

6th: After the completion of the daily posting to the fund ledgers the daily journal entries are compared with the same day's postings to the fund ledgers by calling from the journals to the ledgers, and all errors of either journalizing or posting are thereby immediately detected by reference to the original tickets of the day's work.

7th: The cumulative or progressive footings of the fund accounts in the fund ledgers (showing only daily totals) are then compared with the cumulative or progressive footings of the fund accounts in the records of expenditures (showing each voucher amount in detail), using the tickets as the index of the funds moving in said day, and therefore alone requiring comparison. Any errors in posting details to the record of expenditures or of collating details upon the tickets will occasion a disagreement in the respective footings, and may be instantly located and corrected by comparing the day's work of any fund in the record of expenditures with the corresponding details upon the corresponding ticket, going back, if necessary, to the original schedule to correct either the details composing the total of a group incorrectly collated or the details incorrectly recorded, as the case may be.

8th: As soon as the accounts in the Fund Ledger are

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proven to be in agreement with accounts in the record of expenditures a complete book record will have been established both of details and totals, and the collating tickets, having accordingly fulfilled their purpose, may be destroyed.

WARRANTS.

The schedules and accompanying warrants transmitted daily by the bureau of audit are treated in precisely the same way as the vouchers, being registered in toto, collated upon tickets and journalized; posted in summary to the fund ledgers and in detail to the records of expenditures, and the work proven each day by comparison between the journals and ledgers for accuracy of daily totals and by comparisons between the ledgers and records for accuracy of detail and cumulative or progressive footings.

CLEARANCES.

In like manner the accounts current and accompanying canceled warrants transmitted by the chamberlain may be subject to the same general program, obviating, however, the use of collating tickets as the sum total affecting each fund may be deducible directly from the return.

SUPPLEMENTARY.

As it is highly desirable that both the fund ledgers and the records of expenditures should be books of convenient size and durable construction and therefore easy to handle and capable of withstanding the stress of constant use, greater advantage will be gained with respect to these books by returning to the device of bound volumes than by continuing the loose-leaf type of ledgers now in use. As each account can therefore be displayed upon a folio, extending across two pages, the needed space for a columnar analysis can be secured in a bound book of just one-half the size of a loose-leaf one, and the only possible disadvantage of a bound volume consequent upon the varying length of accounts may be obviated by the following simple expedient:

(1) The accounts are opened upon successive folios until the book is about half used, and such of the accounts as require more room are, as and when necessary, transferred to the next clear folio, heading up as many pages for each as the proportion of the *time run* to the proportion of the *time to be run* may indicate. For instance, an account filling its first folio in one month would have eleven more folios allotted when first carried forward, while an account filling the first folio in three months would only require three more folios to com-

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plete the year, while many accounts would never require more than the page first allotted to them.

(2) *That, inasmuch as the accuracy of all postings and footings is proven by agreement daily with the control, there would be no necessity of taking off schedules of balances more frequently than quarterly* when required for the purposes of published reports, which schedules will always be found to be in agreement with the controlling account in the General Ledger after the few errors incidental to abstracting the balances from the fund ledgers had been corrected by review of said process.

(3) That the casual differences arising between the amounts of vouchers transmitted and the corresponding warrants registered *will be adjusted by writing "A" before the voucher and warrant amount in the record of expenditures coincidentally with making proper entry in the adjustment journal*, and after making a rest in the voucher column of both ledger and record (Nos. 2 and 5, respectively), to add or deduct, as the case may be, the necessary amount to bring the ledger balance with respect to said adjustment into agreement with the departmental balance after the advice of the adjustment has been transmitted and dealt with on the departmental books, making also proper reference to both voucher and warrant number in the explanatory text in the record of expenditures book.

(4) That the consecutive footings of the fund ledgers be brought to a rest at the end of each quarter, when the following additions or deductions will be made:

(a) To or from vouchers (column 2) add or deduct the net journal charge or credit, being the difference between columns 5 and 9; and simultaneously add or deduct the relative amounts from warrants (column 3) and payments (column 4) which will effect an adjustment of all misallocations between funds which may have been corrected by journal entry.

(b) From warrants (column 3) deduct cancellations (column 10).

(c) From warrants and payments (columns 3 and 4) deduct cash refunds (column 11).

The amended footings of vouchers, warrants and payments (columns 2, 3 and 4) should then be carried forward to the succeeding quarter, while the journal charges and credits, warrants canceled, and refunds (columns 5, 9, 10 and 11) will have been disposed of *and the footings will accordingly begin at zero on the first of each succeeding quarter.*

(5) That the consecutive footings of the record of expenditures be brought to a rest at the end of each quarter and corrected by making the same additions and deductions there-

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from as those made in the corresponding account in the fund ledger, in order that the sums carried forward and the subsequent daily cumulative footings in the vouchers, warrants and payments columns be the same at the beginning of and throughout each quarter as the sums and footings of relatively the same columns in the corresponding account in the fund ledgers.

(6) That after the foregoing adjustment and as a test preliminary thereto the quarterly proof of the accuracy of each fund account is established by the following equations:

The differences between the footings of the vouchers and warrants (columns 2 and 3) must equal the open items in column 2.

The difference between the footings of the warrants and payments (columns 3 and 4) must equal the open items in column 3.

As a corollary to the foregoing plan the following orders were promulgated by the Department of Finance for the guidance of the several other city departments and of the chamberlain:

TO CITY DEPARTMENTS.

In transmitting schedules of vouchers to this department the following rules governing accounting dates are hereafter to be observed:

The date of the schedule is to be the same as the date upon which it is actually received at this department before 3 p. m.

Accordingly all schedules of vouchers are to be numbered, dated, and the related vouchers charged against the respective funds on your department books only after they have been duly signed by the head of your department or bureau, and are in every respect ready for immediate transmission to this department in consecutive order, so that they will be here received and registered on the actual day of the date of the schedules and vouchers.

As the fiscal day for registration of vouchers in this department closes at 3 p. m., all schedules that may be ready for transmission on any day but too late to reach this department before 3 p. m., are to be dated and charged by you on the following working day, so that the date on the schedule, the date of the charge on the books of your department, and the date upon which actually registered in this department will be in every case the same, and the schedules will also be received in numerical order.

The practice of transmitting schedules of vouchers and accompanying documents bearing a date earlier than the day on which they are received, and out of the numerical order of schedule numbers, must immediately cease, and no schedule

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must thereafter be numbered or dated until on the point of being dispatched to this office in time to be properly dealt with after being received.

TO THE CHAMBERLAIN.

All returns made by the chamberlain to the comptroller, transmitting the weekly accounts current and paid warrants, as prescribed by Section 196 of the Charter, are to be accompanied by abstracts of warrants paid, made out on Form No. 9 (heretofore used), and showing thereon the following particulars, viz:

(a) The code number, designating each specific appropriation fund, corporate stock fund, special revenue bond fund, or special and trust fund against which warrants have been paid, and which is accordingly included in the return, in conformity with the code numbers established by the comptroller and suffixed to the account titles appearing on the warrants; and—

(b) The number and amount of each of the several warrants, and the total amount thereof paid during the elapsed week or period approximate thereto for and on account of each of the said specific funds.

Separate forms for each fund need only be used when the number of items (warrants) requires the full capacity of the form, or when only one of a number of funds relating to the same department has moved. In all other instances, where several funds within the same department are active, they may follow in the order of their code numbers, in close formation, filling each form in turn before proceeding to the next one, in the following manner:

In the column headed "Numbers of Warrants" write the code designation of the first fund of the sequence, and under it the numbers of the warrants paid, extending the amount of each warrant into the adjoining money column, and putting the total of the several amounts on the next line thereunder; then, leaving one or two clear lines for separation, write the next code designation and warrant numbers and amounts, following in the same columns, until the entire capacity of the three pairs of columns are used; i. e., that there are insufficient lines remaining to contain in full the next fund or account in its regular order. No account must be divided between two forms, except one which alone fills more than one form, in which case the several forms necessary to hold the single account are to be fastened together so as to make one document.

Where there is but one fund or account on a form, the code designation takes the place where heretofore the full title was written; where several funds or accounts are on the same form the code designations, as hereinbefore stated, are written in the same column as the numbers of warrants to

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identify each with its related groups of items, the same code numbers are to be again written one after the other in the place of the title after the printed words, "For and on Account of," in order that the several accounts to which the form relates may be quickly seen.

The preparation and transmission of one abstract of warrants paid for each—the Department of Education, of Health, Armory Board, and other departments, bureaus or accounts—which comprehend each a group of specific funds or subtitles, without separately stating the items applicable to each specific fund or subtitle; and also the writing of the full title of funds upon the abstracts are hereby discontinued.

The weekly accounts current are to be rendered in department totals as heretofore, but accompanied by a list of the code designations and amounts of the specific funds making up each of said totals appearing thereon. In this connection the charitable institutions, heretofore stated upon the accounts current under specific titles, may hereafter be stated in one sum, the same as Education or Health, submitting, however, a list of the code numbers and amounts under and into which said total sum has been divided upon the accompanying abstracts.

At the conclusion of the current quarter, ending December 31, 1909, and thereafter, upon the termination of each succeeding quarter, there is to be transmitted by the chamberlain to the Comptroller a schedule of unexpended balances of all fund accounts constituting a trial balance of the warrant ledgers conducted in the chamberlain's office, wherein are charged warrants drawn. Said trial balance will be in addition to the customary trial balance of the appropriation and bond fund ledgers, wherein are charged warrants paid, the quarterly transmission of which is to continue as heretofore.

Accompanying the two kinds of trial balances above described there is also to be transmitted a schedule of outstanding or uncleared warrants, according to fund titles, which will reconcile or account for the difference between the two trial balances stated both in toto, as well as with respect to each fund account wherein the warrants charged exceed the warrants paid in consequence of uncleared items.

As all three statements relate broadly to the same fund accounts, one form, provided with columns for separately stating against each title the unexpended balance, the unpaid balance, and the outstanding warrants, respectively, would be preferable and less laborious than the preparation of three separate schedules.

The scheme of accounts thus developed has the effect of extending the control in the Department of Finance to embrace, in addition to the balance of funds in excess of warrants registered, and commonly known as the comptroller's

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balance, the balance in excess of vouchers transmitted, commonly known as the departmental balance, and the balance in excess of warrants paid, commonly known as the chamberlain's balance; and provides for the reconciliation of the difference between the comptroller's and the departmental balance by the sum of the unaudited vouchers, to be confirmed by periodical comparisons between the comptroller's and the departmental books.

U. S. Civil Service Examinations.

The United States Civil Service Commission announces an examination, of interest to bookkeepers, attorneys and junior accountants, to be held at all regular examination points as listed on Form No. 1237, December, 1909, to secure eligibles from which to make certification to fill present vacancies, and also future vacancies requiring similar qualifications as they may occur, unless it shall be decided in the interests of the service to fill any or all of the existing vacancies by reinstatement, transfer or promotion.

Circular No. 217.

Application Form 1312.

BANKING ECONOMIST, \$1,600 per annum.

TREASURY DEPARTMENT.

April 20-21, 1910.

The examination will consist of the subjects mentioned below, weighted as indicated:

<i>Subjects.</i>	<i>Weights.</i>
1. General law (questions to test the competitor's familiarity with the general principles of the common law).....	20
2. Economics (questions covering the general field of political economy)...	30
3. Banking (questions dealing with statutes affecting monetary and economic conditions in the United States, and the history of American financial institutions).....	40
4. Experience (rated on application).....	10
Total	100

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Each applicant for this examination must show in his application that he is a graduate of some law school of good standing or that he is a member of the bar.

Two days will be required for this examination.

Age limit, 20 to 45 years on the date of the examination.

In accordance with a recent act of Congress an applicant for this examination will be required to be examined in the State or Territory in which he resides and to show in his application that he has been actually domiciled in such State or Territory for at least one year previous to the examination.

This examination is open to all citizens of the United States who comply with the requirements.

Applicants should at once apply either to the United States Civil Service Commission, Washington, D. C., or to the Secretary of the Board of Examiners at any place mentioned in

the list (Form 1237), for application form. No application will be accepted unless properly executed and, with the samples required, filed with the Commission at Washington. In applying for this examination the exact title as given at the head of this announcement should be used in the application.

As examination papers are shipped direct from the Commission to the places of examination, it is necessary that applications be received in ample time to arrange for the examination desired at the place indicated by the applicant. The Commission will therefore arrange to examine any applicant whose application is received in time to permit the shipment of the necessary papers.

Uniform System of Accounts for Gas Corporations and Electric Corporations in the District of Columbia.

(Continued.)

As Prescribed by the Interstate Commerce Commission in Accordance with Act of Congress Approved March 3, 1909. Public—No. 303.

SPECIAL NOTE.—On and after January 1, 1910, all charges to capital or other accounts provided for in this Classification should be the actual money costs of the things for which they are made. Where the consideration in any transaction shown in any entry is any thing other than money, the actual consideration should be shown in the entry and the amount charged should be the actual cash value of the consideration at the time of the transaction.

GROUP A.—OPERATING ACCOUNTS FOR ELECTRIC CORPORATIONS.

OPERATING REVENUES.

E 101. STREET AND PARK LIGHTING.

This account includes all revenues derived from current sold for lighting public streets or parks.

E 102. COMMERCIAL LIGHTING.

This account includes:

Flat Rate.—All revenues received from consumers for electric lighting, other than street or park lighting, at flat rates, or on any basis independent of the quantity of energy supplied.

Metered.—All revenues received from consumers for measured electric energy supplied for electric lighting, other than street or park lighting, where the total received is dependent on the quantity of energy supplied.

NOTE.—Where electric energy flowing through any meter is used incidentally for power purposes, such as running fans, sewing machines, etc., the revenues derived therefrom should be credited to this account.

E 103. COMMERCIAL POWER.

This account includes:

Flat Rate.—All revenues received from consumers, except municipal, railroad, and other electric corporations, for electric energy supplied for heat or power at special flat rates, or on any basis independent of the quantity supplied.

Metered.—All revenues received from consumers, except municipal, railroad, and other electric corporations, for measured electric energy supplied for heat or power at special

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heat or power rates, where the total received is dependent on the quantity of energy supplied.

E 104. RAILWAY POWER.

This account includes all revenues derived from electric energy sold to street and other railroad corporations for the propulsion of their cars, for running their shops, and for other power, and for heating purposes. If such energy is incidentally used for lighting also, but the portion used for lighting is not separately measured, the revenue therefrom should be included in this account.

E 105. OTHER ELECTRIC CORPORATIONS.

This account includes all revenues derived from the sale of electric energy to other electric corporations to be distributed by them over their own lines to consumers. If any portion of such energy is incidentally consumed by such corporations for their own benefit, whether for light, heat, or power, it should be included herein, if not separately measured or if included under the same contract with that which is distributed by them to consumers.

E 106. ELECTRIC MERCHANDISE AND JOBBING.

This account includes all receipts from the sale of electric merchandise and from electric jobbing. Charge to this account the cost to the accounting corporation, including transportation charges, of electric merchandise sold.

Credit also to this account the profit or commission accruing on all jobbing work performed by the corporation as agent under agency contracts, whereunder it undertakes to do jobbing work for another for a stipulated profit or commission upon its actual expense for labor, materials, and supplies.

NOTE.—This account should not include receipts from the sale of superseded equipment, or of junk or other scrap or salvage.

E 107. SALE OF BY-PRODUCTS.

This account includes all revenues derived from the sale of ashes, cinders, chemical waste, gas-producer residuals, and other by-products of electric operations.

E 108. OTHER MISCELLANEOUS ELECTRIC REVENUE.

This account includes all revenues derived from electric operations not includible in any of the foregoing accounts.

E 109. JOINT ELECTRIC RENT REVENUE.

When a corporation engages in the production of power for another company, or companies, under an arrangement for the apportionment of expenses, and the arrangement provides for the receipt by the producing corporation of any profit or

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return upon its investment, such profit or return should be credited to this account. Such profit or return should be over and above any provision for depreciation or wear and tear in production, and the amount thereof should be as provided in the arrangement under which the production occurs.

E 110. SALE OF STEAM.

This account includes all revenue derived from the sale of steam.

E 111. RENT OF LAND AND BUILDINGS.

This account includes all revenues derived from the rent of land and buildings used in connection with operations.

NOTE.—Income from rent of real estate purchased or conducted as an outside investment should be included in account No. 58, "Miscellaneous Rent Revenues," under Income, after deducting all taxes, insurance, cost of repairs, and other expenses connected with such real estate.

E 112. RENT OF EQUIPMENT.

This account includes all revenue derived from the rent of electric equipment when the cost of operation and maintenance is included in operating expenses.

OPERATING EXPENSES.

I. Production Expenses.

E 120. POWER-PLANT WAGES.

This account includes the cost of labor employed in and about power plant in the production of electricity. This account may be subdivided, if desired, into the following groups:

Superintendence.—Pay and expenses of superintendents and assistants, chemists, clerks, janitors, watchmen, elevator men, and also that portion of the salaries and expenses of the engineering staff to operating plant.

Boiler Labor.—Pay of fire-room engineers and assistants, water tenders, firemen, coal handlers, ash handlers, boiler cleaners, and feed pump men.

Engine Labor.—Pay of chief engineers and assistants, engineers, machinists, oilers, wipers, and others engaged in the operation of steam or other engines employed in the manufacturing process.

Electric Labor.—Pay of electricians, load dispatchers, foremen over regulators, regulators and assistants, switch-board men, brushmen, wipers, wiremen, and others engaged in the operation of electric apparatus or devices.

E 121. FUEL.

This account includes the cost (delivered in storage) of fuel used in the production of electricity.

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E 122. WATER.

This account includes the cost of water used in the production of electricity.

E 123. LUBRICANTS.

This account includes the cost of lubricants used in the generation station.

E 124. STEAM FROM OTHER SOURCES.

This account includes the cost of all purchased or jointly produced steam consumed in the power plant of the electric department.

NOTE.—In case such steam is jointly produced, i. e., produced by another person or corporation under a joint arrangement for sharing the cost of production in proportion to the benefits to the several participants, the charge to this account may include a proportion to cover depreciation of plant employed as well as the proportion of direct expense, but it should not include any allowance for profit or return upon the cost or value of the plant. Such allowance or return upon property should be charged to account No. 71, "Other Deductions from Gross Corporate Income."

E 125. RAILWAY ENERGY FROM OTHER SOURCES.

This account includes the cost, at the point of delivery to the corporation, of all electric energy purchased or produced for the corporation by another corporation under any joint arrangement for the sharing of expense upon the basis of the relative amounts of benefit to the several participants, inclusive of provision in such expense for depreciation of plant, but exclusive of allowance for profit or return upon the cost or value of property used in such production.

E 126. MISCELLANEOUS POWER-PLANT EXPENSES.

This account includes such expenses of operation of power plant as are not provided for elsewhere.

E 130. POWER-PLANT BUILDINGS—MAINTENANCE.

This account includes the cost of repairing buildings and structures used for power-plant purposes; cost of repairing fixtures therein; cost of maintaining walks, driveways, and grounds connected with such buildings; cost of delivering material, including freight charges, if any; and all incidental expenses connected with the maintenance of such buildings and structures.

The term "buildings and structures," in addition to embracing the buildings proper, should be understood to include fixtures when immovable and built in; permanent foundations and piers; pipes for gas, water, sewerage, and drainage; apparatus for heating, lighting, and ventilating; freight and passenger elevators, with fixtures and appurtenances; platforms; appliances for protecting buildings against fires; fences, walls,

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sidewalks, and pavements within the limits of grounds immediately adjacent to such buildings.

NOTE.—The cost of replacement of a building or structure, when \$100 or more, should be treated through the appropriate capital account; when less than \$100, it may be charged directly to this account.

E 131. MOTIVE POWER—MAINTENANCE.

This account includes the cost of repairing and renewing the machinery and apparatus belonging to the motive-power equipment of the generating station. It may be divided into the following subaccounts:

Boilers and Furnaces.—Cost of repairing and renewing boilers and furnaces, and their foundations, settings, and flue connections, including brickwork, bridge wall, arches, jambs, grate bars, stoker bars and webs, furnaces, valves, superheaters, damper regulators, tubes, and iron smokestacks.

Boiler Apparatus.—Cost of repairing and renewing feed water, coal and ash handling systems, and auxiliary apparatus in the fireroom; including feed pumps, blower engines, coal conveyers, trolleys, and cable towers, crusher and belt links, brackets, wheels, chutes, and gates; ash-conveyer cars, winches, motors, buckets, shafts, chains, and wheels; filters, boiler injectors and pumps; heaters, primary and secondary; economizers, and water meters.

Steam Accessories.—Cost of repairing and renewing the piping system in connection with the making of steam and delivery thereof to the prime movers; including water feed piping, cold main, hot main, water suction, valves, joints, jackets, ash-pit drains and ash-pocket siphons, oil drains from engine-crank pits, receiving tanks, filter pumps to engine valve, steam and exhaust line systems, sewer connections, and air line.

Engines.—Cost of repairing and renewing steam engines, reciprocating or turbine.

Steam Engine Equipment.—Cost of repairing and renewing apparatus auxiliary to the prime movers, including condensers, packing tubes, renewing tubes, heads and doors; air, vacuum, and oil pumps.

Other Power Equipment.—Cost of repairing and renewing hydraulic structures and equipment, water turbines and water wheels, gas producers and accessories, and gas engines and other power equipment devoted to production of electric energy and not included in any of the foregoing subaccounts.

E 132. ELECTRICAL APPARATUS—MAINTENANCE.

This account includes the cost of labor and material used for repairing and renewing machinery and apparatus pertaining to the electric generating equipment. This account may be divided into the following subaccounts:

Electric Generators.—Cost of repairing and renewing dynamos, alternators, and other electric generating apparatus,

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driven by steam, gas or water power, and rotaries and motor generating sets, exciters, etc., when not installed in connection with transmission system.

Accessory Electric Equipment.—Cost of repairing and renewing the electric generating apparatus not includible in the foregoing account. This includes bus-bars, regulators, station cables, station switchboards and equipment, such as circuit breakers, switches, ammeters, voltmeters, wattmeters, etc. (and their specially provided foundations and settings), and the station terminal board; also head-gate motors, pump motors, air-compressor motors, etc., and special high-tension transmission equipment at power stations, but not wiring for lighting the station.

E 133. MISCELLANEOUS POWER-PLANT EQUIPMENT—MAINTENANCE.

This account includes the cost of repairing and renewing station apparatus not includible in the foregoing repair accounts, particularly the power-transmission equipment, such as shafting, belting, and clutches, motors, hoists, cranes, etc.

E 134. POWER-PLANT TOOLS AND IMPLEMENTS—MAINTENANCE.

This account includes the cost of repairing station tools and implements that have been capitalized, except fire tools, provided for elsewhere. Among the principal items in this account are blacksmiths', machinists', and pipe fitters' tools, pump-room tools, engine tools, and cutting tools.

NOTE.—Hand and other small portable tools liable to be lost or stolen should be charged, when first acquired and before issued for use, to a suitable materials and supplies account. When issued, they should be charged to the appropriate expense account. Portable tools and apparatus of special value may, however, be charged to the appropriate tangible capital account and may remain therein so long as record is kept of the person to whom such tools and apparatus are issued and such persons are held responsible therefor.

II. Transmission Expenses.

E 140. TRANSMISSION SUBWAY RENT.

This account includes the rents payable accruing for ducts leased from other corporations or from a municipal corporation.

NOTE.—In case the rented subway is used for distribution as well as for transmission, the rent should be apportioned between this account and account E 172, "Distribution Subway Rent."

E 141. SUBSTATION LABOR.

This account includes the cost of all labor employed in superintending the operation of substations, including not only that of regulators, brushmen, and others engaged in operating the electric apparatus and storage batteries, but also that of clerks, janitors, watchmen, etc.

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E 142. SUBSTATION SUPPLIES AND EXPENSES.

This account includes the cost of supplies consumed and expenses incurred in connection with the operation of substations, such as telephone rents, light, heat, etc.; also the cost of storage battery supplies, such as acid and distilled water in cells, soda, sponges, brooms, mops, waste, rags, hydrometers, thermometers, automatic cell fillers, rubber hose, gloves, shoes, paint, etc., and brushes for boosters and compensators.

E 150. TRANSMISSION POLES AND FIXTURES—MAINTENANCE.

This account includes the cost of repairing and renewing poles, cross-arms, and insulator pins; braces, brackets, and other pole fixtures; guys and other supports for holding the poles, towers, and other structures in position; also repairs of towers and other structures maintained primarily for supporting the overhead transmission system.

This account does not include insulators.

NOTE A.—The cost of repairing and renewing poles and fixtures which carry both transmission and distribution conductors should be apportioned between this account and account E 190, "Distribution Poles and Fixtures—Maintenance."

NOTE B.—When the individual cost of replacement of towers and other structures maintained primarily for supporting the overhead electric construction is \$100 or more, it should be treated through the appropriate capital account. When the individual cost is less than \$100, the replacement may be charged directly to this account.

E 151. OVERHEAD TRANSMISSION SYSTEM—MAINTENANCE.

This account includes the cost of repairing and maintaining overhead trunk lines between generating stations and substations, including patrolling and testing, and all repairs.

E 152. UNDERGROUND TRANSMISSION CONDUITS — MAINTENANCE.

This account includes the cost of patrolling and inspecting as well as of repairing transmission underground conduits, including the cost of renewing ducts and pipes, enlarging and repairing manholes, repaving streets over such structures, etc. This account does not include any repairs of conductors or of the insulation thereof.

NOTE.—The cost of maintaining underground conduits which carry both transmission and distribution conductors should be apportioned between this account and account E 192, "Underground Distribution Conduits—Maintenance."

E 153. UNDERGROUND TRANSMISSION SYSTEM—MAINTENANCE.

This account includes the cost of inspecting and repairing underground transmission cables.

NOTE.—This account does not include the cost of repairing poles and fixtures, for which see account E 150, "Transmission Poles and Fixtures—Maintenance."

E 154. SUBSTATION BUILDINGS—MAINTENANCE.

This account includes the cost of repairing substation buildings and permanent fixtures therein, including grounds

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and adjacent streets, vaults, sheds, pits, sidewalks, etc.; also cost of repairing storage battery accessories, such as tanks, battery-room floor, switches, regulating apparatus, boosters, and compensators.

E 155. SUBSTATION EQUIPMENT—MAINTENANCE.

This account includes the cost of repairing apparatus in substations, including substation cables, switchboards, and instruments, station terminal board, etc.; also the cost of renewing storage batteries, including cells, diaphragms, negative and positive plates, lead in strip, spelter, pails, candles, dry boards, tank bands, sheet lead, glass plates, glass covers, hydrogen generators, jumpers, clamps, lampblack, etc.

III. Distribution Expenses.

E 170. DISTRIBUTION SUPERINTENDENCE.

This account includes the pay and expenses of superintendents and clerks, and also that portion of the salaries of the engineering staff of the company which is assignable to distribution.

E 171. DISTRIBUTION OFFICE EXPENSES.

This account includes the cost of all supplies and other expenses of the office of the superintendent of the distribution department.

E 172. DISTRIBUTION SUBWAY RENT.

This account includes the rents payable accruing for underground conduits used for distribution conductors.

E 173. SETTING AND REMOVING METERS AND TRANSFORMERS.

This account includes the cost of all supplies consumed and expenses incurred in connection with the operation of consumers' meters and transformers, including setting and removing, connecting and disconnecting services, etc.

NOTE.—If it is the policy of the accounting corporation to charge the cost of the first setting of consumers' meters to capital, such charge should be made to account E 326, "Electric Meter Installation."

E 174. ELECTRIC METER OPERATION.

This account includes the salaries and expenses of superintendents and clerks in the meter bureau; also that portion of the salaries of the engineering staff of the corporation assignable to this account; also the cost of light, heat, ice, water, and other supplies and expenses in connection with the meter-testing bureau; and the cost of testing meters on consumers' premises or in meter shops.

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E 175. COMMERCIAL ARC LAMPS—OPERATION.

This account includes the cost of supplies, such as carbons, globes, etc., consumed in operating, and of labor employed in trimming and inspecting arc lamps on private consumers' premises.

E 176. COMMERCIAL INCANDESCENT LAMPS—OPERATION.

This account includes the cost of first installation of incandescent lamps on private consumers' premises unless consumer is charged for first installation, or unless it is proper to charge first installation to capital.

E 177. COMMERCIAL INCANDESCENT LAMPS—RENEWALS.

This account includes the cost of renewing incandescent lamps on consumers' premises, including cartage and delivery expense, and the cost of photometering incandescent lamps. Credit to this account any rebate received for the return of stubs, or allowances relating thereto.

E 178. COMMERCIAL GLOWER LAMPS—OPERATION.

This account includes the cost of supplies consumed in operating, and labor employed in trimming and inspecting glower lamps on private consumers' premises.

E 179. CUSTOMERS' SIGNS—OPERATION.

This account includes the cost of first installation of signs unless charged to customer and unless it is proper to charge such first installation to capital; also cost of labor employed in inspecting customers' signs.

E 180. PUBLIC ARC LAMPS—OPERATION.

This account includes the cost of supplies (such as carbons, globes, etc.) consumed in operating, and labor employed in trimming and inspecting arc lamps in public lighting systems.

E 181. PUBLIC INCANDESCENT LAMPS—OPERATION.

This account includes the cost of first installation of incandescent lamps in the public street lighting system, unless it is paid by the municipal corporation, or unless the lamps are of such character that it is proper to charge to capital; also cost of labor of inspecting such lamps.

E 182. PUBLIC INCANDESCENT LAMPS—RENEWALS.

This account includes the cost of renewing incandescent lamps in the public street lighting system.

E 183. PUBLIC GLOWER LAMPS—OPERATION.

This account includes the cost of all supplies consumed in operating, and labor employed in trimming and inspecting glower lamps in the public lighting system.

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E 184. MISCELLANEOUS DISTRIBUTION LABOR.

This account includes the cost of labor employed in attending to complaints, improving character of commercial service, or in gratuitous work on consumers' premises beyond the end of meter or outlet connection; locating faults or grounds on commercial circuits and services and removing the trouble; pumping out manholes; turning current on or off; and of other labor in distribution system not provided for elsewhere.

E 185. MISCELLANEOUS DISTRIBUTION SUPPLIES.

This account includes the cost of supplies connected with distribution not provided for elsewhere.

E 190. DISTRIBUTION POLES AND FIXTURES—MAINTENANCE.

This account includes the cost of repairing and renewing poles, cross-arms, and insulator pins; braces, brackets, and other pole fixtures; guys and other supports for holding the poles, towers, and other structures in position; also the cost of repairs of towers and other structures maintained primarily for supporting the overhead distribution system.

This account does not include insulators.

NOTE A.—The cost of repairing poles and fixtures that carry both transmission and distribution conductors should be apportioned between this account and account E 150, "Transmission Poles and Fixtures—Maintenance."

NOTE B.—When the individual cost of replacement of towers and other structures maintained primarily for supporting the overhead electric construction is \$100 or more, it should be treated through the appropriate capital account. When the individual cost is less than \$100, the replacement may be charged directly to this account.

E 191. OVERHEAD DISTRIBUTION SYSTEM—MAINTENANCE.

This account includes the cost of patrolling, testing, and repairing the overhead conductors in the distribution system.

E 192. UNDERGROUND DISTRIBUTION CONDUITS — MAINTENANCE.

This account includes the cost of maintaining subways and underground conduits, including repairs of the tube, of manholes, of paving over such subways, and of all ducts and conduits, but not repairs of conductors or of the insulation thereof.

NOTE.—The cost of maintaining (including patrolling and inspecting) underground conduits and subways which carry both transmission and distribution conductors should be apportioned between this account and account E 152, "Underground Transmission Conduits—Maintenance."

E 193. UNDERGROUND DISTRIBUTION SYSTEM—MAINTENANCE.

This account includes the salaries and expenses of patrolmen, testers, etc., as well as the cost of repairing damaged subway distribution conductors.

E 194. ELECTRIC METERS—MAINTENANCE.

This account includes the cost of repairing meters in distribution service, including new parts and new jewels; also the cost of cleaning and painting.

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E 195. TRANSFORMERS—MAINTENANCE.

This account includes the cost of labor and material consumed in maintaining transformers, including renewing oil, repainting, rewinding, removing, and replacing; also repairs of such switches and cut-outs on consumers' premises as are the property of the corporation.

E 196. ELECTRIC SERVICES—MAINTENANCE.

This account includes the cost of repairing and renewing underground and overhead services leading from mains to consumers' premises.

E 197. COMMERCIAL ARC LAMPS—MAINTENANCE.

This account includes the cost of keeping in repair private consumers' arc lamps, including setting and removing lamps, repairing parts, changing for repairs and adjustment, and testing during adjustment and after repairs.

E 198. COMMERCIAL GLOWER LAMPS—MAINTENANCE.

This account includes the cost of keeping in repair private consumers' glower lamps, including setting and removing, repairing parts, changing for repairs and adjustments, and testing during adjustment after repairs.

E 199. PUBLIC ARC LAMPS—MAINTENANCE.

This account includes the cost of changing location of public arc lamp posts; changing lamps for repairs, adjustments, or renewals; repairs of mast arms, hangers, poles, ropes, etc.; painting poles; also that portion of the arc lamp shop expense assignable thereto.

E 200. PUBLIC GLOWER LAMPS—MAINTENANCE.

This account includes the cost of changing location of public glower lamp posts, changing lamps for repairs or adjustment, repairs of mast arms, hangers, poles, ropes, etc., and painting poles.

E 201. MISCELLANEOUS DISTRIBUTION EQUIPMENT—MAINTENANCE.

This account includes the cost of repairing equipment of distribution system not provided for elsewhere.

IV. Commercial Expenses.

E 210. COMMERCIAL ADMINISTRATION.

This account includes the following:

Commercial Department Indexing.—The cost of reading or indexing meters, including the cost of indexers' lamps.

Commercial Department Collecting.—The expenses of the collection bureau, including collectors' salaries or commissions, badges, car fares, and delivering bills.

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Commercial Department Contracts.—Such part of the cost of the contract department as is not assignable to the Promotion Office, including attention to bill questions.

Commercial Department Accounting.—The cost of keeping the accounts of consumers, being a proper proportion of the salaries and expenses of the general officer and assistants in charge of the commercial department, and salaries of bookkeepers and all clerks in the accounting department having to do with consumers' accounts.

Commercial Department, Miscellaneous.—All expenses incurred in selling electric power and products, in determining the amount of such sales, in making collections, and in keeping account of such sales and collections as are not includible in the foregoing subaccounts, or in the two following accounts for promotion expenses.

E 211. ADVERTISING.

This account includes the salaries and expenses of the advertising manager and clerks; the cost of commercial advertising, including booklets, dodgers, newspaper advertisements, posters, bulletins, and similar items.

E 212. OTHER COMMERCIAL EXPENSES.

This account includes the cost of canvassing and soliciting, promotion, and development, and other commercial expenses not provided for elsewhere.

V. General and Miscellaneous Expenses.

E 220. SALARIES AND EXPENSES OF GENERAL OFFICERS.

This account includes the salaries and traveling and incidental expenses of the chairman of the board, president, vice president, treasurer, secretary, comptroller, general auditor, general manager, assistant general manager, chief engineer, general superintendent, purchasing agent, and all other officers whose jurisdiction extends to the entire system and whose services cannot be satisfactorily allocated to the several departments.

E 221. SALARIES AND EXPENSES OF GENERAL OFFICE CLERKS.

This account includes the salaries and traveling and incidental expenses of general office auditors, bookkeepers, cashiers, paymasters, stenographers, clerks employed in counting cash, and all other clerks employed in the general office.

NOTE.—Pay of clerks in the commercial department should be charged to account E 210, "Commercial Administration."

E 222. GENERAL OFFICE SUPPLIES AND EXPENSES.

This account includes the cost of office supplies, repairs of office furniture, and renewals of such furniture as has not been

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capitalized; wages of janitors, porters, and messengers; rent of rooms in office buildings, repairs of such rented rooms, and all other miscellaneous expenses of general offices. Office expenses of departmental officers should be charged to the proper departmental accounts.

E 223. GENERAL LAW EXPENSES.

This account includes all law expenses except those incurred in the defense and settlement of damage claims. This includes salaries and expenses of counsel, solicitors, and attorneys, their clerks and attendants, and expenses of their offices; cost of law books; printing briefs, legal forms, testimony, reports, etc.; fees and retainers for services of attorneys not regular employees; court costs and special, notarial, and witness fees not provided for elsewhere; expenses connected with taking depositions, and all law and court expenses not provided for elsewhere.

NOTE.—The compensation of the general solicitor or counsel or other attorneys engaged partly in the defense or settlement of damage suits and partly in other legal work, should be properly apportioned between this account and account E 226, "Injuries to Persons and Property."

E 224. MISCELLANEOUS GENERAL EXPENSES.

This account includes the cost of telephone and telegraph service, and other miscellaneous expenses (including all expense specially incurred in connection with the utilization and sale of by-products, such as battery and other chemical waste, etc.) connected with the general management and not provided for elsewhere.

E 225. INSURANCE.

This account includes all premiums paid to insurance companies for fire, fidelity, boiler, casualty, burglar, and all other insurance; also amounts set aside as an insurance reserve.

E 226. RELIEF DEPARTMENT AND PENSIONS.

This account includes all salaries and expenses incurred in connection with conducting a relief department, and contributions made to such department; also pensions paid to retired employees, and expenses in connection therewith.

E 227. ELECTRIC FRANCHISE REQUIREMENTS.

This account includes the cost of all energy and materials and supplies furnished to municipal corporations in compliance with franchise requirements, for which no payment is received by the corporation; also all direct expense, such as of paving, etc., incurred in compliance with such requirements for which no reimbursement is received by the corporation. Amounts charged to this account for which there is no direct money outlay should be credited to Duplicate Electric

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Charges—Cr., under account E 233, "Miscellaneous Adjustments—Balance."

E 228. GENERAL AMORTIZATION.

This account includes monthly charges of the amount estimated to be necessary to cover such wear and tear, obsolescence, and inadequacy as have accrued during the month in the tangible electric capital of the corporation, such portion of the life of intangible fixed capital as has expired or been consumed during the month, and the amount estimated to be necessary to provide a reserve to cover the cost of property destroyed by extraordinary casualties; less the amounts charged for that month to the various maintenance accounts for repairs. The amount charged (or credited) to this account shall be concurrently credited (or charged) to the reserve account No. 37, "Accrued Amortization of Capital."

NOTE.—The amount estimated to be necessary to cover such wear and tear and obsolescence and inadequacy as have accrued during any month should be based on a rule determined by the accounting corporation. Such rule may be derived from a consideration of the said corporation's history and experience during the preceding five years, and the accrual may be on the basis of kilowatt hours. Amortization of intangible capital should likewise be based on rule.

E 229. INJURIES TO PERSONS AND PROPERTY.

This account includes all expenses provided for under the following heads:

Accidents and Damages.—This head includes all expenses (other than law expenses provided for under the succeeding head) on account of persons killed or injured and property damaged in connection with the operation of the plant; pay and expenses of claim agents, investigators, adjusters, and others engaged in the investigation of accidents and adjustments of claims; salaries, fees, and expenses of surgeons and doctors; cost of nursing, hospital attendance, medical and surgical supplies; fees and expenses of coroners and undertakers; contributions to hospitals; amounts paid in settlement of claims of persons for personal injuries sustained in connection with the operation of the plant, and amounts paid in settlement of claims for damage to property not owned by the accounting corporation.

NOTE.—If it is desired that the charge to operating expenses on account of accidents and damages shall be upon some arbitrary basis, the amount so charged should be credited to Insurance and Casualty Reserves, under account No. 38, "Appropriated Surplus—Reserves," and the actual disbursements above enumerated should be charged against such reserve account.

Law Expenses Connected with Damages.—Charge to this account all law expenses in connection with the defense or settlement of damage claims, such as a proper proportion of the salary and expenses of the general solicitor or counsel; salaries, fees, and expenses of attorneys engaged in this work; fees of court stenographers, expenses connected with taking

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depositions, and other court expenses; cost of law books; also cost of printing briefs, court records, and similar papers.

NOTE A.—The compensation of the general solicitor or counsel and other attorneys engaged partly in the defense or settlement of damage suits and partly in other legal work should be properly apportioned between this account and account E 223, "General Law Expenses."

NOTE B.—If it is desired that the charge to operating expenses on account of law expenses in connection with damages shall be upon some arbitrary basis, the amount so charged should be credited to Insurance and Casualty Reserves, under account No. 38, "Appropriated Surplus—Reserves," and the actual disbursements above enumerated should be charged against such reserve account.

E 230. STATIONERY AND PRINTING.

This account includes all expenses for stationery and printing, stationery supplies, and postage, except as hereinafter provided.

The cost of printing briefs and other legal papers should be charged to account E 223, "General Law Expenses," or to law expenses connected with damages, under account E 229, "Injuries to Persons and Property," in accordance with the purpose of the printing.

The cost of printing signs, posters, and other advertising matter should be charged to account E 211, "Advertising."

The cost of such mechanical calculators, typewriters, duplicating machines, and other office appliances as are not properly capitalized should, if for use in general offices, be charged to account E 222, "General Office Supplies and Expenses;" or, if for the use of departmental offices, to the proper departmental accounts.

E 231. STORE EXPENSES.

This account includes all salaries and expenses in connection with storerooms, including cost of sending material and supplies from general storerooms to branch storerooms, and the collection of scrap material.

E 232. STABLE EXPENSES.

This account includes the cost of feed, keep, and shoeing of horses, wages of stablemen and hostlers, veterinary expenses, and all other expenses of stabling horses; also the cost of repairing harness and vehicles.

NOTE.—The cost of horses purchased to replace others should be charged to account E 306, "General Equipment."

E 233. MISCELLANEOUS ADJUSTMENTS—BALANCE.

This account includes:

Inventory Adjustments—Balance.—At least once a year an inventory of materials and supplies should be taken, and the difference, with respect to any particular class of materials and supplies, between the ledger and inventory balances debited or credited to this account in case it cannot be assigned to a specific account.

Discounts on Materials and Supplies—Cr.—Credit to this

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account all discounts recovered through the prompt payment of bills for materials and supplies consumed in operation, unless such discounts are applied to the particular bills.

NOTE.—When materials and supplies have been used in construction as well as in operation, a suitable proportion of the shortages or overages disclosed by the inventory may be debited or credited to account E 338 "Miscellaneous Construction Expenditures."

Duplicate Electric Charges—Cr.—Credit to this account all charges made to any accounts in electric operating expenses with respect to any electric power or other product of electric operations of the corporation consumed in such operations.

Electric Expenses Transferred—Cr.—Credit to this account the proportion of operating expenses (including depreciation and other amortization, as well as repairs) chargeable to co-ordinate departments, such as gas or street railroad, within the same corporation, but defrayed in the first instance by the electric department.

NOTE.—This account should not be credited with any allowance in the nature of rent or return upon the cost or value of property.

Joint Operating Expenses—Cr.—When any plant or equipment is maintained or operated by the accounting corporation for the joint benefit of itself and others, under an arrangement for apportioning the operating expenses on the basis of the relative amounts of benefit to the several participants the portion of such expenses chargeable to others under the arrangement should be credited to this account, unless the companies at interest can equitably apportion the expenses of production to their respective primary accounts. The portion so credited should not include any allowance for profit or return upon the value of such property.

NOTE A.—The foregoing should be read in connection with the definition of revenue account E 109, "Joint Electric Rent Revenue."

NOTE B.—In the case of the production of power, part of which is transferred to another, if the arrangement under which such production occurs does not provide for the apportionment of expenses, the entire amount charged for the portion supplied should be credited to the appropriate revenue account covering the sale of power.

E 240. GENERAL STRUCTURES—MAINTENANCE.

This account includes the cost of repairing and renewing all buildings and structures, including permanent fixtures attached thereto and grounds and driveways connected therewith, devoted to general corporate purposes, used in its operations, and not assignable to any of the departmental accounts. This account includes such buildings as general office buildings, general shops, general storehouses, general stables, etc.

(To be continued.)

Association of American Government Accountants

Organized November 14, 1906.

Post Office Box 27, Main Office, Washington, D. C.

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PUBLIC MEETINGS.

The Association of American Government Accountants is scheduled to meet at the hall of the Public Library, 8th and K Streets, N. W., Washington, D. C., on the first and third Monday in December, 1909, January, February, March and April, 1910.

MARCH 7, 1910.

Judge B. F. Harrah, Law Clerk in the Office of the Comptroller of the Treasury, will offer suggestions for Improvement in Accounting and Business Methods of the Federal Government.

The Government Accountant

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J. P. Muller, Editor
ASSOCIATE EDITORS

Richard M. Chapman

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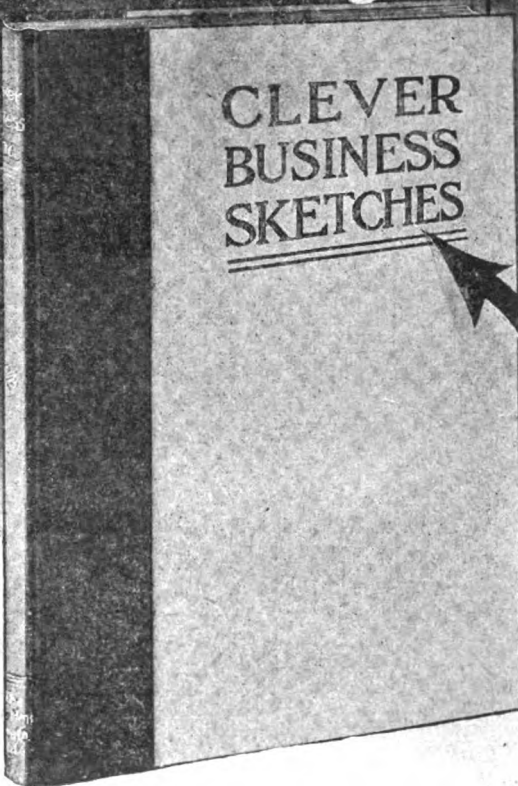
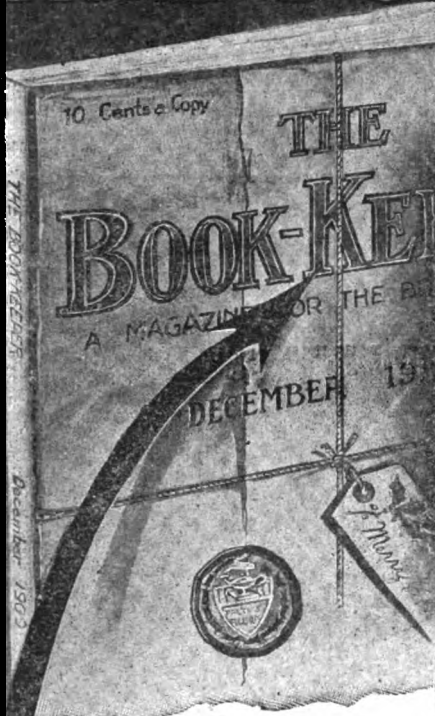
MARCH 31, 1910.

Agitation vs. Action.

During the past month the press of the country has been greatly agitated over the reported statement of one of our leading lawmakers that a saving of \$300,000,000 could be effected by reorganization of the administrative Departments of the Federal Government. Much comment that we have seen in print was well founded, but by far the greater amount was apparently written without even a fair knowledge of actual conditions. No one in authority has ever denied that great opportunities for improvement exist; even the one directly responsible to the country for the administration, namely, President Taft, is credited with a public statement in one of his recent speeches to the effect that he believes a saving of \$100,000,000 could be accomplished through changes in the Departments. Nowhere, however, have we noticed any mention made of the fact that most of the practices which are considered wasteful or out of keeping with present day conditions and which, in the aggregate, represents the largest item of unproductive expenditure, cannot be changed without Congressional action, since they are the results of positive laws, which leave the administrative officer little or no opportunity to take advantage of modern methods and to keep step with the introduction of improvements in the business world. We have more than once pointed out in these columns how indispensable a permanent advisory body in Departmental Business Methods is, not only to the administration, but even more so to those who are charged with the duty of enacting and changing, as may be required, the basic laws on which the whole departmental structure rests. When a new foundation has been laid, a retirement plan for superannuated employes adopted, and a permanent board of review and adjustment created, then all minor defects in the working force will speedily be reduced to the minimum without injustice to the individual and at an annual saving in time, effort and funds, too vast to permit of even approximate estimate.

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NO. 12

**Suggestions for Improvements in the Accounting and
Business Methods of the Federal Government**
BY B. F. HARRAH

Financial Statistics of Cities
SPECIAL REPORT OF THE BUREAU OF THE CENSUS

**Uniform System of Accounts for Gas Corporations
and Electric Corporations in the
District of Columbia**
PRESCRIBED BY THE INTERSTATE COMMERCE COMMISSION
(PART IV.)

Editorial Comment
Association Notes--Roll of Members

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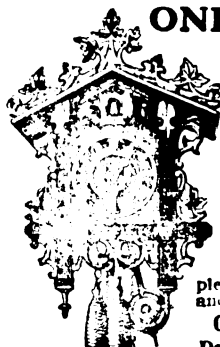
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Suggestions for Improvements in the Accounting and Business Methods of the Federal Government.

By JUDGE B. F. HARRAH, Law Clerk, Office of the Comptroller of the Treasury.

(An Address before the Association of American Government Accountants.)

There is nearly always more than one way to do a thing, but there is never more than one best way. It does not necessarily follow, therefore, that a change will be an improvement, even if every improvement does involve a change.

Improvement is progress toward what is better. Suggestions for improvements in the present business and accounting methods of the Government do not, therefore, necessarily imply that the present methods are not good, but that there is a possibility of their being made better. Whenever an individual, corporation, or body politic concludes that the limit of the possible has been reached, any further advancement will be accidental. What the fathers did they may have done well; but, admitting this, it would be no sufficient reason for blindly following every precedent they have set. Precedents should, however, be followed unless there is a good reason to depart from them. Precedents tend to uniformity, and uniformity begets confidence, and one of the great essentials of every act done on behalf of the Government is to have it considered as having been honestly and properly done. This very proper reverence for precedent should not, however, deter those in charge of the Government from inaugurating such new methods as promise better results, but change merely for the sake of change should be carefully avoided. The rule should rather be to bear those ills we have than fly to others "that we know not of."

The truth about the accounting and business methods of the Government is that they are not nearly so bad as a great many people outside the service believe them to be, nor quite so

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good as many people long in the service think they are. The burden of proof, however, is on the one who would leave the beaten path for a new way. He should be able to show with reasonable certainty that he has found a better way. The shortest distance between two points is a straight line, but it is not necessarily the best and most practical route. When it is, however, it is certainly the one to follow.

The first thing to be considered, at least, for determining a proper basis of comparison, or course to be pursued in improvements, is the distinction between the accounting and business methods of the Government and those of private business and corporations. There is a very marked distinction, the cardinal principle of which is found in Article I, Paragraph 7, Section 9, of the Constitution, which provides:

"That no money shall be drawn from the Treasury but in consequence of appropriations, made by law, and a regular statement of accounts of the receipts and expenditures of all public money shall be published from time to time."

The laws which have been made to carry this provision of the Constitution into effect, so far as the receipts and expenditures and accounting for the public money is concerned, are the basis of the accounting systems, and contain the limitations within which the business of the Government must be transacted.

Every account that is rendered by any officer of the Government for the expenditure of public money must be under an appropriation. That being true, such account must conform to the law upon which it is based. The act of every officer and the account must square with the appropriation act, and such other laws as affect the disposition of the money authorized to be expended. A permanent record must be kept, and this record is intended to be such that it may be determined from it whether the expenditures have been in conformity to the law. In other words, there is a well-defined public policy that must be observed which affects the transaction of all Government business, including the business of accounting.

What is meant by the public policy here referred to and how can it affect the methods of transacting the public business or of accounting?

I will try to explain. In considering the question as to what constitutes the public policy of the Government, the Supreme Court, in the case of the United States vs. Freight Association (166 U. S., 290, 340), said (page 340):

"The public policy of the Government is to be found in its statutes, and when they have not directly spoken, then in the decisions of the courts and the constant practice of Government officials; but when the legislative power speaks upon a particular subject, over which it has constitutional power to legislate, the public policy in such cases is what the statutes enact."

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In the case of the *United States vs. Verdier* (164 U. S., 213, 218), the court, in considering the position of the Government as compared with an individual, said (page 218) :

"The truth is that, in its dealings with individuals, public policy demands that the Government should occupy an apparently favored position. It may sue, but, except on its own consent, cannot be sued. In the matter of costs, recovers, but does not pay; so the Statute of Limitations may be pleaded by the Government, but not against it; nor is it affected by the laches of its own officers * * *. Under the bankruptcy law it was a preferred creditor, and its claims were paid even before the wages of operatives, clerks or house servants * * *. In short, the equities which arise as between individuals have but a limited application as between the Government and a citizen."

In the case of *Wisconsin Central Railway vs. United States* (164 U. S., 190, 212), the court approved the following language of the Court of Claims, defining the position of the Government as compared to that of an individual:

"The doctrine that money paid can be recovered back when paid in mistake of fact and not of law does not have so general application to public officers using funds of the people as to individuals dealing with their own money, where nobody but themselves suffer for their ignorance, carelessness or indiscretion, because in the former case the elements of agency and the authority and duty of officers, and their obligations to the public, of which all persons dealing with them are bound to take notice, are always involved."

In the case of *The Floyd Acceptances* (7 Wall, 666, 676), the court, in drawing a distinction between the way in which an individual may perform an act and in the way in which the Government may perform it, said (page 676) :

"But the Government is an abstract entity, which has no hands to write or mouth to speak, and has no signature which can be recognized, as in the case of an individual. It speaks and acts only through agents, or, more properly, officers. They are many, and have various and diverse powers confided to them."

In discussing the authority of the officers, and where we are to look for it, the court further said (page 676) :

"When this inquiry arises, where are we to look for the authority of the officer? The answer which at once suggests itself to one familiar with the structure of our government, in which all power is delegated, and is defined by law, constitutional or statutory, is that to one or both of these sources we must resort in every instance. We have no officers in this Government, from the President down to the most subordinate agent, who does not hold office under the law, with prescribed duties and limited authority. And while some of these, as the

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President, the Legislature and the Judiciary, exercise powers in some sense left to the more general definitions necessarily incident to fundamental law found in the Constitution, the larger portion of them are the creations of statutory law, with duties and powers prescribed and limited by law."

These cases, and many more which might be cited, forcibly illustrate the one controlling fact in all Government business, and that is that the source of every act authorized, and of every duty enjoined, is the law, and that the greater portion of them are the creations of statutory law.

Congress has spoken on almost every subject that affects the Government business, and has specified in detail what may be done and how it must be done.

Speaking generally, the three things of all the greatest importance in the accounting and business methods of the Government, and on which Congress has legislated most in detail, are:

First. The personnel.

Second. The property or means used.

Third. The objects to be accomplished.

The first and greatest of these is the personnel. It directs; it controls; it is the acting, moving cause of every act done by the Government. Any suggestions, any law or actions that would tend to improve the personnel of the service would undoubtedly tend to improve the methods by which that personnel operates. The personnel determines the tools, implements and appliances and procures, utilizes, cares for, applies and accounts for all property used for Government purposes. Through it the public policy of the Government, as expressed in its laws, must be attained. The very object and purposes of Government must be effected by and through its officers and agents. It acts alone by its officers and agents. The personnel is the vital principle. There are about 300,000 persons employed by the Government, who act for it in various capacities. These have been selected from its citizens and employed and authorized to perform such services as have been provided for by law. The selection, compensation, operation, and control of this vast number of employes, so that the best results may be obtained from them, is a great task. There must be a system for their selection; a system for arriving at the proper compensation to be paid; a system for their utilization; a system for determining the proper number to be employed, and a system for their control. Congress has clearly indicated in many laws that it intends that the controlling element in the selection of persons for employment in the Government service, whether by original appointment or by promotion, shall be efficiency, fitness, and capability for the duties required. The ordinary and usual way prescribed for determining the qualifications for en-

trance into the executive civil service is by a competitive educational test. By adapting this test to the many classes of duties to be performed, reasonably satisfactory results as to entrance into the service are attained. A great many of those entering the public service practically become life employes. These constitute the new blood, the seed, and fountain from which the general efficiency must come. It is important, therefore, to guard the entrance. In all services which have practically a life tenure, the capability of the employe is of the greatest importance. The ability to learn and to keep on growing is quite as important as the present knowledge of an applicant.

The more attractive the service can be made as a life career the more it will attract the capable, the ambitious, the energetic, and the diligent. With this class of persons—and they are the kind the Government needs—the determining question is not how can I secure entrance into the service, but is it worth while? What are the prospects? There is now much that is inviting. Congress has already done much. Among the things that may be mentioned are security of tenure, certainty and regularity in payments, reasonable hours, liberal annual and sick leaves, practical exemption from the blighting effects of industrial cataclysms, and for those of the highest grades, a moderate competence. It has, however, only the attractions of a continuing job, at a moderate salary, with no prospect of developing into a business. A business is usually better than a job, but the job may be made so attractive that it will take away the desire for a business.

There are some things, however, in the Government service that tend to repel the capable from entering it, and tend to eliminate as a part of its personnel many young, energetic and efficient persons. Among these may be mentioned the monotony of much of the work, the dead level of the fixed salary, the tendency to disqualify the person for any other class of work, the inability to prosecute any private business subordinate to his employment in the Government service, the practical isolation of the employe from the professions and business of the world, as it is known at large, and the surrender of a great part of his individuality. The kind of employes that the Government must have, and the kind it must keep, if it would obtain the best results, are such as would be repelled and eliminated by the things mentioned. Any change which would minimize their effect would improve the service. As these things are inherent in the service, they cannot be eradicated. There is but one remedy, therefore, and that is to counteract their effect on the service. To a certain extent, the effects of these conditions have been ameliorated already, by making the tenure more certain; by making efficiency the test for promotion; grading the salaries

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to correspond with the class of work, and equalizing the salaries by appropriations, based upon estimates for fixed salaries. The tendency is to avoid the lump-sum appropriation as being productive of an excessive number of employes and inequality in salary. The only way, however, in which the Government has so far provided for recognizing the efficiency that comes from long service, in cases of fixed salaries, is by promotions from grade to grade. These promotions can only be made on the happening of one of three contingencies—the death of the person holding the higher grade, or his demotion, dismissal, or resignation, or an increase in the number of places in the grade; and then, the efficiency attained by length of service is but one of the elements that affects the promotions to be made. Practically, this does not provide a fixed and equal recognition of the greater efficiency attained by length of service.

Every person in the Government service who is worth his salt becomes more valuable to it each year. Other things being equal, the one with the longest service is capable of doing the best work. This is an element that should be recognized in any system of fixing the compensation of employes in any business, and especially in fixing the compensation of Government employes whose duties require a knowledge of precedents, and an experience with the particular class of work, for the best results. It is just, fair and reasonable. It is recognized in the army and navy.

A system of longevity increase of pay for civil employes, based on a reasonable length of service, say, five or ten years, would make such service much more attractive, and would be an added incentive to the best employes to remain in it. It is certainly discouraging to an employe to remain in the same position a great many years, and never know the thrill that comes from a slight increase in pay. He instinctively feels that he is becoming more and more valuable each year, but sees no recognition of the fact. This element should, in my judgment, be incorporated into, and become a part of, the law composing the system governing the compensation of civil employes.

The nucleus of the system for the utilization of the services of employes is found in Section 3678 of the Revised Statutes, which requires all appropriations to be "applied solely to the objects for which they are respectively made, and no other," and statutes regulating and limiting the detail of employes, and determining the hours of labor that may be required.

The only system that has been inaugurated, looking toward the regulation of the number of employes, is in appropriating for specific numbers and prohibiting the employment and payment of any additional numbers under general appropriations.

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The distribution of the particular work of each bureau and office and the immediate control of the employes therein is usually left to the discretion of the head of the bureau or office.

The systems above indicated have been a growth, and it is apparent that there should be some practical method of studying the systems for a personnel of the Government as a whole, and the results accomplished under them, of comparing work of the same class in different offices and bureaus, contrasting the methods, and suggesting changes and improvements.

For this purpose there should be a permanent committee of personnel and methods, to be appointed by the President. It should be made the duty of this committee to study the personnel of the Government, classify the different kinds of work, and make an analytical report each year, showing the actual total cost, the comparative cost under different methods of doing the same amount and class of work, suggest consolidations and eliminations of the unnecessary offices and bureaus, and the introduction of labor-saving and time-saving machinery. This committee should report direct to the President each year, or oftener, if required.

It is the duty of every employe to do all he can to improve the service, and for this purpose he should be required to report to this committee once a year. He should be required to write a short thesis, explaining the character of work done by him, and means used, and how it affects or is related to other work in the office or bureau where employed, and to suggest any changes that he deems advisable.

Such a provision would operate as a self-examination of the employe and would compel him to do the very thing that is most essential to good work; viz, Study his work as an entity, and as a part of the whole. These reports could be analyzed and tabulated to form a working basis to study the service as a whole, and in detail.

The order in which the work is done is important. Much time is lost and much less is accomplished than would be possible if the sequence by which the things to be done was more faithfully observed. Congress has attempted to preserve a general sequence in the transaction of Government business by establishing the fiscal year, requiring accounts from fiscal officers at stated periods, and limiting the use of most important appropriations to objects contemplated for a particular fiscal year. Prompt action on all matters originating or referred to any office, bureau or department is essential to preserve a proper sequence in Government business. The public criticises severely the delay that seems to be a necessary incident in connection with public business. Much of this delay could, however, be avoided by preserving

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a proper sequence in the dispatch of business. Keep the work current, and keep the current moving. A thorough investigation by a proper committee on personnel and methods ought to, and I have no doubt would, suggest radical improvements along this line. The work should be studied as a whole as well as in detail, and how delay in one part affects another.

2d. The property or means used:

The property of the Government may be divided into real and personal. The Government is not a trader in the sense that it buys and sells for profit. All that is purchased is intended for public use. The use is the principal thing, and, therefore, only the excess, or what has subserved its purpose and become useless, is sold.

With respect to the property or means used these questions always present themselves:

1st. What should be purchased.

2d. How the purchases should be made.

3d. How it should be utilized, accounted for and disposed of.

The answer to the first question forms the basis of all estimates for appropriations. Accuracy in such estimates is essential to a proper and economical administration. The basis of the estimate for a future service is the needs of a past service of a like kind. If the service on which the estimate is based has been extravagant as to any item, the estimate will in all probability continue this extravagance. It may be that all the property that is purchased for the Government from year to year is needed, and that it is the best that could be purchased for the money expended, but nothing short of a systematic study of the uses to which every item of the property is put will ever demonstrate that fact. Such a study would furnish a very useful, and, doubtless, profitable, employment for the proposed committee on personnel and methods, above suggested.

The public policy as to purchases on behalf of the Government requires open, fair and honest competition. This is right and politic. It is essential. It is the law of trade. It gives every citizen an equal chance for a part of the Government business, and tends to eliminate favoritism. This result is sought to be obtained by advertising for competitive bids. The effectiveness of this method depends upon the excellence of the character of the advertising used. A study of the methods used by the various bureaus, offices, and departments, and a comparison of the results obtained, would certainly be a step in the right direction. Some day the Government will probably have its general storekeeper and purchasing agent for all the departments, whose duty it will be to purchase and distribute such articles of property as are

used by all the departments, purchases on behalf of the Government being required to be made after open, free and honest competition. Any improvement must come from an increase in competition. The necessity for exigency purchases will, however, always exist, but this should be guarded against. There should be a limit on the amount that can be purchased to meet an exigency in any one fiscal year. This should be a reasonable per cent of the amount of all purchases authorized under any appropriations. Within this limit, the manner of making the purchase should be left to the discretion of the head of the department, office, or bureau authorized to make the purchase. All other purchases should be after advertising. A study of the results of purchases by the committee on personnel and methods would tend to systematise such purchases. A column showing the total amount of all purchases of classified articles in common use, by bureaus, offices and departments, and a column showing all such purchases by advertising, and all such purchases under a declared exigency during the year would do much good.

The cardinal principles that should govern all purchases for the Government are that they should be so made as to eliminate any suspicion of fraud or favoritism, and so as to inspire confidence that diligence has been used to obtain prices that are just and reasonable.

The form of contracts and provisions for the publicity of their terms is a fruitful subject for improvement. The Government has a statute of frauds, but, strange as it may seem, it applies to but three of the departments of the Government—the War, Navy and Interior. Section 3744 of the Revised Statutes requires every contract made by the Secretary of War, the Secretary of the Navy, the Secretary of the Interior, or by officers by them appointed, to make such contracts to be reduced to writing, and signed by the parties, with their names signed at the end thereof.

It seems to me that all contracts involving any considerable sum should be reduced to writing. The contract is required to be filed with the auditor, and becomes the permanent record of the agreement, and its terms should not be left open to dispute. Provision should also be made for the publicity of all bids received. They should be open to inspection at all times upon compliance with reasonable regulations for the protection of the public business.

Records:

A very large part of the clerical force of the Government are engaged in making permanent records of its transactions. It is needless to say that such records are essential and that they should be sufficiently complete to give all the material facts. The making of such records renders the work of the Government expensive. The name of every man that

has ever had a claim adjusted by the Government, and just what was done with his case, can be ascertained. Many of the records are duplicated in different departments. Much of this duplication is essential. There are now in the files in all probability a great many records that are practically useless and that ought to be destroyed, but so long as the United States refuses to enact a statute of limitation, they must be preserved. A reasonable statute of limitation would render the longer preservation of many of them useless. The study of an economical and expeditious system for filing and indexing original papers and determining the length of time the various classes of papers should be preserved, and also of the best way to make permanent records, would furnish the committee on personnel and methods useful and profitable employment.

Duplication of work:

This feature of Government work has been much considered. Efforts are constantly being made to find the limit of the necessary. The Keep Committee did much good work along this line, but a mere casual glance and counting of the initials on most any class of letters or communications relative to the usual and ordinary routine business of any of the departments will show that there is still room for investigation, and, very probably, improvement. The great cost of clerical work is the salary paid for the time of the employees engaged upon it. If an ordinary letter must be read, examined, and probably criticised by four or five persons, the cost will be increased proportionately. This little duplication by review and review undoubtedly greatly increases the cost of work. It is probably true that much of this class of duplication has grown up as a result of the carelessness and incompetency of employees engaged on the work at some time. It became necessary to review their work, and this became a habit. Nothing short of a high-class personnel at all points can reduce this class of duplication of work to a minimum. All the work in each department is more or less related, and the bureaus and offices of each department ought to be kept together, and so arranged that those offices and bureaus with related work may be kept in close proximity. This can only be done when the departmental building is sufficiently large to accommodate all its bureaus and offices. To be located in the same city is not sufficient for the best and most economical work. The tendency of great business enterprises is to centralize their places of business. The department stores, the union stations, the construction of large office buildings by great industrial concerns, is but an outgrowth of this tendency. More and better public buildings in the city of Washington is a necessity for a proper and economical transaction of the public business here.

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As I said in the beginning, the Government is not engaged in trade or profitable enterprises. It buys much and sells some. It conducts great enterprises, but not for profit. It does much business, but all for the public good. It provides for the common defense and the general welfare, and in doing this it has aided in building railroads, digging canals, improving rivers and harbors, reclaiming arid lands, regulating railroad charges, and many other things. It collects and disburses annually nearly one billion dollars. The only dividends it expects or requires is the prosperity and happiness of the people. The people willingly pay all the taxes necessary, so long as they have faith in the honesty and integrity of the transactions. It is essential, therefore, that its business should be done, and its accounts so kept, that it will all be as an open book to all who care to investigate. This requires a great many records and requires them to be properly kept and so systematized as to be readily available. What these records consist of, and how they are to be kept, has been, and will be, the result of a natural growth. The regulation, control, and direction of this growth is an ever-present problem for executive officers and the clerical force of the Government.

Recapitulation:

Contemplated improvements in the business and accounting methods of the Government must be approached with a full knowledge of the declared public policy of the United States. Any comparison in methods must be in view of the recognized distinction between Governmental and private business.

2d. The personnel of the Government determines and controls its acts, and a careful study of this personnel and the systems adopted for its selection, compensation, utilization, numbers, and control is an essential prerequisite to any lasting improvement. This study has become, in my judgment, an absolute necessity, and to make it effective a permanent committee on personnel and methods is necessary.

3d. As one of the things which would tend to improve the personnel by its own inherent force by making the service more attractive to the capable, there should be a system of longevity pay.

4th. The property or means used should be the subject of a systematic study as a whole, and in detail, to determine what should be purchased, how the purchases should be made, and whether the property is properly utilized and accounted for.

5th. Provision should be made for greater certainty in the obligations assumed by contracts and better publicity in the negotiations leading up to the contract.

6th. Records and systems of records should be carefully studied with a view to the elimination of the superfluous.

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7th. The order and sequence in which the various parts of the work is done should be more faithfully observed. The relation of every part of the work in every office, bureau and department should be better understood, and consequent delays guarded against by keeping all work current and keeping currents moving.

It may be observed that the improvements suggested follow closely the lines on which all improvements in methods are sought to be effective. The things recommended to be done can hardly be claimed to be new or original, but the way in which it is suggested they should be done, it is believed, contains the germ of the true philosophy of such improvements.

Financial Statistics of Cities.

(Extract from a Special Report of the Bureau of the Census, transmitted to the Secretary of Commerce and Labor under date of February 11, 1910.)

Objects of the census investigation.—In its financial statistics of cities, the Bureau of the Census seeks to present in a comparable form the following data relating to the financial transactions and conditions of municipalities: The total and per capita costs of government and the similar costs of maintaining specified public services, such as those furnished by the schools, or by the police or fire department; the total costs of constructing and maintaining sewers, streets, etc., and the average costs per standard unit of work performed; the total and per capita revenue derived from all sources and from each specified source; and the proportion of the total revenue derived from each source, and of the total expenditures made for each object or purpose.

Differences in local governmental organizations.—To attain the objects mentioned consideration must be given to the great differences which exist in the organization of American cities for purposes of local self-government. In some cities practically all municipal activities are administered by a city government having one executive head and a single set of financial officers, the various departments of municipal activity in such cases being subject to one control or supervision, and all persons engaged therein receiving their compensation through the same channel. In other cities the administration of municipal functions is distributed among a number of more or less independent but correlated branches or bodies, of which the one performing the most important work is usually spoken of as the *city corporation*. The activities of this "city corporation," however, do not include all public activities that may properly be said to belong to the government of the city, or of the community constituting the city; its payments do not include all payments authorized by the citizens for the purpose of securing exclusive benefits for the people of the city and at their sole expense; its debts do not include all public obligations for which the citizens are responsible; and its receipts do not include all receipts derived from municipal activities within the city limits.

The *government of the city*—that is, of the community constituting the city—for which data must be obtained in order to compile comparative statistics of financial transactions and conditions, is not limited to the "city corporation," as above

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described, but includes all corporations, organizations, commissions, boards, and other authorities through which the people of the city exercise any privilege of local self-government, or by any governmental function. The Census financial statistics of cities accordingly include data obtained from all the organizations and authorities mentioned.

General and departmental accounts of governments.—The accounts of American States and of the “city corporation” of the larger municipalities are readily separable into two groups—(1) the accounts kept by the general fiscal officers, such as those called treasurers, auditors, or comptrollers for the State or city as a whole; and (2) those kept by the executive officers of the several divisions of the government for their departments, bureaus, or offices. The accounts last mentioned differ radically from those kept by the fiscal officers first referred to, and no description of or statement concerning accounts belonging to the first group is applicable to those included in the second; hence in any discussion of governmental accounts the two groups should be carefully differentiated, and statements concerning governmental accounts should specifically set forth the group to which reference is made. To facilitate this differentiation accounts kept by the treasurer, auditor, or comptroller for the State or city as a whole are here called *general accounts*, and those kept solely for or by individual departments, bureaus, or offices are called *departmental accounts*.

Accounts of proprietors and trustees.—The accounts ordinarily used in private business at the present time are of two distinct types, according to the nature of the business for which they are devised and installed. The most common type is that employed by corporate and individual enterprises which are conducted primarily for profit or gain, and whose accounts are records of the rights or interests, liabilities, gains, and losses of the proprietors; while the other type of accounts is employed by corporations and individuals engaged in administering the affairs of others and not of themselves. Accounts of the first type are called by Mr. Charles E. Sprague, in “The Philosophy of Accounts,” *proprietorship accounts*; and those of the second, *fiduciary accounts*. The business of many individuals and corporations includes both transactions for the benefit of the proprietor and for the benefit of others. In such cases the principal accounts are always proprietorship accounts, while the others are in reality fiduciary in character.

All departmental accounts of governments are fiduciary in character and constitute the best examples of fiduciary accounts to be met with either in governmental or in private business. They show on one side the amounts of money or credit placed at the disposal of the department, bureau, or

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office, and on the other (1) the expenditures made; (2) the reservations of the appropriations for contracts, market orders, or other purposes; and (3) the free or unencumbered balances of the appropriations.

The general fiscal officers of our American States and municipalities are required to keep fiduciary accounts with appropriations. In addition they must keep accounts with other financial data relating to revenues, the receipt and payment of cash, public properties, and indebtedness. The general accounts of most cities with their appropriations are not combined with nor even closely associated with the accounts last mentioned, although in the accounting systems of a few cities the two classes of accounts are combined under appropriate controlling accounts. The general appropriation accounts of the cities of the former class are duplicates of the departmental accounts, and, like them, are models of fiduciary accounting. Of the cities which combine the two classes of accounts the greater number employ fiduciary accounts of a type that originated in the earlier stages of governmental business. A smaller number employ fiduciary accounts so arranged as to make them of greater administrative value, and a few are installing proprietorship accounts. Experience will be required to determine the relative administrative value of the different systems of accounts mentioned.

Differences in general governmental accounts.—In addition to the differences above mentioned the general accounts of American cities vary greatly in character, in methods, and in the bookkeeping devices employed, of which but few are to any extent common to the different cities, and fewer still are universally used in private business. In some cities the only books of general accounts are those of the treasurer; in others additional general accounts are kept by the comptroller or by whatever other officer exercises the duties of a comptroller or auditor. In the great majority of the cities of the latter class the books of the comptroller are in some of their essentials the same as those of the treasurer, and include accounts with the treasurer, which are a check upon his transactions. The accounts of both officers have one feature in common with the accounts of private enterprises, in that they always record the flow of cash into and out from the treasury. Moreover, they record this information by methods that are primarily devised to show whether any of the money received is lost or is applied to purposes other than those contemplated by the legislative bodies authorizing its collection and expenditure.

The fundamental differences in the general accounts of American cities have the same origin as the corresponding differences in the accounts of private enterprises, in that they arise from the varying uses to which the accounts are applied

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in the administration of business. At first governmental as well as private accounts were largely records of debts—the amounts owed to a government or private proprietor and the amounts owed by it or by him. The accounts were kept for the administrative purpose of assisting in collecting all amounts due and of meeting all obligations when the same matured. A step forward was taken in private business when accounts were arranged, kept, and summarized in such a way that, in addition to providing the information already obtained from the earlier records, they embodied all the fundamental requirements of modern accounting for proprietorship by disclosing the condition of business at specified times, and the gains and losses for specified periods. Similar progress was made in accounting for constitutional governments when their general financial records were so arranged that, in addition to recording all the data included in the earlier accounts, they introduced all the requisites of correct fiduciary accounting by exhibiting the cash and other resources available for expenditure at any given time, and the fidelity with which expenditures have been made in conformity with the terms of appropriation acts.

Modern administrative uses of accounts.—Within the last fifty years accounting has become in most countries a distinct profession, and accounts are now applied as administrative aids both to private and to governmental business in ways never dreamed of by former generations. The earlier accounts, to which attention has been called, have not been neglected or displaced, but have assumed their position in more comprehensive schemes introduced by the most progressive private and public administrators.

The modern innovations in accounts are those which provide for the classification and analysis of financial data and their arrangement in statistical forms so as to show, in private business, when and how money is gained and when and how it is lost; and to disclose and measure in governmental business the relative efficiency and economy of every branch of service. In private business an analysis of revenue is made in order to determine the adequacy of rates for various services and commodities, and every factor of business administration is brought under accounting control by means of what the business world now knows as "cost accounting." It is by such methods that the leaders in modern private business have made accounts and accounting of supreme administrative assistance in avoiding bad and securing good financial results. Their accounts are the ideal ones of the business world, and demonstrate the great part that accounting records can play in securing success and avoiding failure. In like manner, a few governmental officials have introduced general and departmental accounts which accomplish for nations, States and municipalities what the analytical and statistical accounts above described

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accomplish for private enterprises. Their accounts are so arranged as to provide adequate accounting control over revenue, to aid in preventing waste or loss thereof in collection, and to apply the principles of private cost accounting for the purpose of testing the efficiency and economy of all branches of governmental service.

In passing, it should be said that only a limited number of private concerns have developed and applied accounts of the largest possible administrative value, and in like manner only a few governments and governmental officials have shown themselves fully awake to the value of accounts as aids to good government. Hence there are great differences in the administrative uses to which governmental accounts are applied, and, as an inevitable result, great differences in the economy and efficiency of local governments. This condition will continue until, with other changes and reforms, the general and departmental accounts of all cities are so arranged as to measure and test the efficiency of governmental administration, as well as the fiduciary responsibility or accountability of municipal officers. To attain fully the results here mentioned, the accounts of different governments of the same class—as those of States, counties, cities and towns—must be arranged on such bases as will readily permit the experience of each to be compared with that of all the others.

New systems of American governmental accounts.—A considerable number of American cities, actuated by desire to make their financial records of as much administrative assistance as are those of the most progressive private enterprises, have within the last ten years introduced new systems of general accounts. The great majority of these systems can best be described as experimental or tentative, since they are being applied to a field hitherto undeveloped by accountants. There is no uniformity in the systems thus introduced, and their value must be measured by standards other than those of uniformity and the possibility of comparing the expenses and outlays of one city with those of others. The experience of the several cities introducing these new accounts has, however, on the whole, been fruitful of much good, and out of it, no doubt, will soon be evolved systems of accounts which will give to governmental officials and the public interested in governmental affairs the same aid that the most successful business man secures from the accounts of his private business.

The general accounts thus far introduced may be said to be of two distinct types, one in which the principal or controlling accounts, in addition to those with appropriations, are those with cash receipts and payments, here spoken of as *accounts based on cash transactions*; and the other, in which they are accounts with amounts accruing, as revenue or otherwise, to the benefit of the city, and with the accruing expenditures

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of the city, here referred to as *accounts based on accruals*. Accounts of the former type are the more numerous. That fact, and the further fact that the older forms of general accounts, still in use by the majority of cities, are of the same type, compels the Bureau of the Census to arrange its statistics upon the basis of cash receipts and payments.

Comparable statistics, how secured.—A limited number of cities employing the older forms of general accounts, and some of those which have installed improved accounts of the type first mentioned above—that is, accounts based on cash transactions—prepare exhibits of receipts and payments in such a manner as to permit comparisons of their costs of government with those of other cities. These cities make use of accounting for the purpose of measuring the efficiency and economy of administration to a larger extent than do any others. The financial statistics contained in this report are arranged on a basis which, in its essentials, is identical with that employed by such cities. So far as these statistics realize the object for which they are prepared—the object set forth in the opening paragraph of this introduction—they become of assistance in providing accounting tests and measures of the efficiency of the administration of American cities. They secure this result by employing accounting devices which have been introduced by many municipal fiscal officers, and which consist of more or less detailed exhibits of receipts classified by source and of warrant payments classified by object. The classification of these receipts and payments into real or actual, and nominal, and the subdivision of real or actual receipts or payments into those which are and those which are not available for meeting the costs of government, furnishes an approximate statement of the cost of operating the government of a city and of maintaining its several functions; and if all the bills are presented when due and are settled at once by the issue of warrants to be paid in the immediate future, such a classification also shows the relation between warrant expenditures and receipts.

In some cities, however, large numbers of warrants, or orders having the authority of warrants, are paid in a year subsequent to that of issue. In such cities the problem of securing from the books of the treasurer or comptroller a statement of the cost of governmental operation and maintenance and of expenditures for the acquisition or construction of permanent properties is more difficult. Under such conditions the classified exhibit of the treasurer's transactions may show for one year no payments for the support of a certain function, as the police or the schools; while for the next year it may show disbursements twice as great as the actual cost of maintenance. In such cities the aggregate of warrants drawn in settlement of claims more nearly represents the cost of governmental operation and maintenance and the expenditures for

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permanent properties than does the aggregate of warrants paid. Yet a tabulation of warrants drawn, combined with a statement of receipts, does not furnish a complete exhibit of the financial transactions of a given year, for the reason that it does not include a statement of the warrants or bills payable drawn in previous years but liquidated during the current year. Hence, from the standpoint of governmental accounting, such a presentation is as imperfect as would be a trader's accounts from which were omitted outstanding liabilities for merchandise purchased. To make an approximately complete exhibit, for a given fiscal year, of the financial transactions of cities of the class referred to in this paragraph, not only must the comptroller's record of warrants drawn during the year be presented, but also the treasurer's statement of warrants paid or liquidated during the year must differentiate the amounts paid on warrants outstanding at the beginning of the year from the payments made on those drawn during the year. On this basis the census statistics of payments and receipts of cities are compiled.

Need for uniformity in city accounts and reports.—The compilation of comparable financial statistics of cities is at the present time attended with many difficulties and large expense, owing to differences in the accounting systems and methods of the various cities. The movement toward the uniform classification of payments and receipts inaugurated by the National Municipal League gives promise of a reduction of these difficulties and of the accompanying expense. The publication of the census reports presenting the financial statistics of cities has given the movement a great impetus, but the publication of these reports will not alone suffice to render easy of attainment comparable financial statistics of cities. Before that end can be secured, accountants and governmental officials must reach some common understanding as to the fundamental principles of governmental business and accounting, as accountants have already done with reference to the fundamental principles of commercial accounting. That result can be secured only as the outcome of study and intelligent discussion of these principles.

Need for correct methods of conducting municipal business.—Uniform accounts and reports, if secured as outlined above, will be of great assistance in compiling comparable statistics that will measure the relative economy and efficiency of city governments. Such accounts and reports alone will not, however, provide the data for the desired statistics. Before such statistics can be compiled, city governments must not only establish uniform accounts and make uniform reports, but they must also adopt correct and uniform methods of transacting their financial business. Mention has been made of the difference between exhibits of governmental expenditures based re-

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spectively upon warrants or orders issued and upon warrants or orders paid; that difference is material, but as a factor in modifying the comparability of the statistics obtained for the different cities it is eliminated by the method adopted by the Bureau of Census and already described. The same can not be said concerning an inaccuracy that arises in the census exhibit for cities with certain faulty business methods, and with no proper business system of auditing bills or issuing warrants. In some of these cities bills are in reality audited by approval of the city council, some being audited promptly when presented, while others are not approved until a considerable length of time thereafter. Similar variations in the time elapsing between the presentation and the audit of claims occur in other cities having auditors or comptrollers with nominal powers of adjusting all claims. In neither case are warrants or audited bills for a given period true exhibits of the costs of government for that period, so that whether exhibits of governmental expenditures are based upon warrants issued, as are those now compiled by the Bureau of Census, or upon audited bills, the statistics for such cities will fail to be comparable with those for other cities which have adopted correct business methods. This condition of affairs will continue until cities are compelled by State law—if they will not do so by their own initiative—to employ business methods of auditing bills when due, and to pay those bills promptly by the issue of warrants on the treasury. Such an improved method of conducting the finances of cities would accomplish two very important results: It would render possible the compilation of statistics which would measure the relative efficiency and economy of municipal administration, and at the same time eliminate one of the most potent single factors in governmental graft and dishonesty.

Uniform System of Accounts for Gas Corporations and Electric Corporations in the District of Columbia.

(Continued.)

GROUP B.—INCOME ACCOUNTS FOR GAS CORPORATIONS AND ELECTRIC CORPORATIONS.

FORM OF INCOME ACCOUNT STATEMENT.

OPERATING INCOME :

- 51. Operating Revenues.
- 52. Operating Expenses.
- Net Operating Revenue or Deficit.

OUTSIDE OPERATIONS :

- 53. Revenues.
- 54. Expenses.
- Net Revenue or Deficit from Outside Operations.
- Total Net Revenue or Deficit.

DEDUCTIONS FROM TOTAL NET REVENUE :

- 55. Taxes.
- 56. Uncollectible Customers' Bills.
- Total Deductions from Net Revenue.
- Net Operating Income.

OTHER INCOME :

- 57. Rents Accrued from Lease of Plant.
- 58. Miscellaneous Rent Revenues.
- 59. Dividend Revenues.
- 60. Interest Revenues.
- 61. Miscellaneous Nonoperating Income.
- Total Other Income.
- Gross Corporate Income.

DEDUCTIONS FROM GROSS CORPORATE INCOME :

- 62. Rents Accrued for Lease of Other Plants.
- 63. Miscellaneous Rents—Dr.
- 64. Loss on Operations of Others.
- 65. Interest Deductions.
- 66. Bad Debts Written Off.
- 67. Sinking Funds Chargeable to Income.

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- 68. Amortization of Landed Capital.
- 69. Amortization of Debt Discount and Expenses.
- 70. Amortization of Premium on Debt—Cr.
- 71. Other Deductions from Gross Corporate Income.
 - Total Deductions from Gross Corporate Income.
 - Net Corporate Income or Deficit.

DISPOSITION OF NET CORPORATE INCOME:

- 72. Dividends Declared:
 - (a) On Common Stock.
 - (b) On Preferred Stock.
 - (c) On Other Securities.
- 73. Appropriations to Reserves.
- 74. Other Deductions from Surplus.
 - Total Deductions from Net Corporate Income.
 - Surplus or Deficit for Year.

INCOME ACCOUNTS.

51. OPERATING REVENUES.

This account includes the total operating revenues per classification in Group A.

52. OPERATING EXPENSES.

This account includes the total operating revenues per classification in Group A.

53. OUTSIDE OPERATIONS—REVENUES.

This account includes the total revenues from outside operations.

54. OUTSIDE OPERATIONS—EXPENSES.

This account includes the total expenses from outside operations.

55. TAXES.

This account includes all franchise taxes and taxes on property of all kinds owned or leased by the corporation. An open account should be kept to which should be charged monthly the amount of taxes accruing during the month (estimated, if not known), credit being made to account No. 33, "Taxes Accrued," or, if the tax is prepaid, to account No. 19, "Taxes Paid in Advance." Discrepancies between estimates and actual levies should be adjusted as soon as known.

56. UNCOLLECTIBLE CUSTOMERS' BILLS.

When any account stated for electric energy or gas sold has proved, after reasonably diligent effort, impracticable of collection, the amount should be charged to this account and credited to the account receivable in which it has heretofore been carried.

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57. RENTS ACCRUED FROM LEASE OF PLANT.

Credit to this account monthly, as they accrue, all revenues from lease of plant or equipment. The account contemplates that the taxes on property leased are payable by the lessee and are charged by him to the approximate tax account. If, under the contract of the lease, such taxes are payable by the lessor or its assignee, they should be charged to this revenue account and not to any of the lessor's tax or expense accounts.

58. MISCELLANEOUS RENT REVENUES.

Credit to this account monthly, as they accrue, all miscellaneous rent revenues from lease of property other than plant or equipment. Such revenues should be classified as follows:

Leasehold Revenues.—All revenues from any lease the entire term of which is greater than one year. This account contemplates that the taxes on property so leased are payable by the lessee and are charged by him to the appropriate tax account. If, under the contract of lease, such taxes are payable by the lessor or its assignee, they should be charged to this revenue account and not to any of the lessor's tax or expense accounts.

Other Rent Revenues.—All revenues from any lease or contract the entire term of which does not exceed one year, or which is held at will or upon sufferance. This account contemplates that the taxes on property so leased are payable by the landlord and are charged by him to the appropriate tax account. If, under the contract of lease, the taxes are payable by the tenant, the amount of such taxes should be credited month by month to this account as they accrue, and should correspondingly be charged to the appropriate tax account.

59. DIVIDEND REVENUES.

Credit to this account at their cash value, and as of date when collectible, dividends declared by solvent concerns on stocks held by the accounting corporation among its investments.

60. INTEREST REVENUES.

Credit to this account monthly all interest accruing to the corporation upon such of its investments as are liabilities of solvent concerns or individuals; also interest on bank balances, notes, loans, or other accounts.

61. MISCELLANEOUS NONOPERATING INCOME.

Credit to this account all nonoperating income accruing to the company and not provided for in any of the foregoing accounts.

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62. RENTS ACCRUED FOR LEASE OF OTHER PLANTS.

Charge to this account monthly all amounts accrued against the accounting corporation for rent of plant and equipment which it holds under some form of lease from another company or corporation and of which it has the exclusive possession. Taxes accrued on such plant and equipment should not be charged to this account, but to the appropriate Taxes account. If, under the contract of lease, such taxes are payable by the lessor or reversioner, they should be credited to this account and charged to the appropriate Taxes account. When paid by the lessor or reversioner, they should be charged to its rent revenue account and not to its Taxes account, to the end that taxes upon such plant and equipment may be reported by the corporation in possession.

63. MISCELLANEOUS RENTS—DR.

This account includes all miscellaneous rents payable not provided for elsewhere.

NOTE.—Rents for furnished offices, and for office rooms in office buildings heated and lighted by the landlord, should not be charged to this account, but to the appropriate operating expense account.

64. LOSS ON OPERATIONS OF OTHERS.

This account includes amounts assumed or payable under the terms of agreements or contracts binding the company to make up any deficit or loss resulting from the operations of other companies or individuals.

65. INTEREST DEDUCTIONS.

This account includes interest on debt, funded or unfunded, accrued during the period for which the income account is rendered, and exchange or discount on interest-bearing liabilities.

66. BAD DEBTS WRITTEN OFF.

This account includes the amount by which debts considered bad are written off the company's books.

67. SINKING FUNDS CHARGEABLE TO INCOME.

To this account should be charged monthly all accruals required to be made to sinking funds by the terms of mortgages, deeds of trust, or contracts.

68. AMORTIZATION OF LANDED CAPITAL.

Charge to this account at the close of any fiscal period such portion of the original money cost (estimated, if not known), of landed capital (interest in land the terms of which are more than one year) as is necessary to cover the proportion of the life thereof expired during such period.

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NOTE A.—The amounts charged to this account should be concurrently credited to account No. 37, "Accrued Amortization of Capital."

NOTE B.—When any landed capital expires or is otherwise retired from service (as, for example, through sale), the capital account originally charged therewith should be credited with the amount originally charged; account No. 37, "Accrued Amortization of Capital," should be debited with all amounts therefore credited to it with respect to such landed capital going out of service; the appropriate account should be debited with the proceeds of sale, if any, and any necessary adjustment should be made through the Profit and Loss account.

69. AMORTIZATION OF DEBT DISCOUNT AND EXPENSE.

Charge to this account at or before the close of any fiscal period that proportion of the unamortized discount and debt expense on outstanding debt which is applicable to the period. This proportion is to be determined according to a rule, the uniform application of which during the interval between the issue and the maturity of any debt will completely amortize or wipe out the discount at which such debt was issued and the debt expense connected therewith. Such amortization may, at the option of the corporation, be earlier effected by charging all or any portion of such discount and debt expense to Profit and Loss account.

70. AMORTIZATION OF PREMIUM ON DEBT—CR.

Credit to this account at or after the close of any fiscal period the proportion of the premium received on outstanding debt at time of issue which is applicable to the period. This proportion is to be determined according to a rule, the uniform application of which during the interval between the issue and the maturity of any debt will completely amortize or wipe out the premium so received. Such amortization may at the option of the corporation be effected by crediting all or any portion of such premium to Profit and Loss account only upon the maturity of the debt.

71. OTHER DEDUCTIONS FROM GROSS CORPORATE INCOMES.

This account includes deductions from gross corporate income not provided for elsewhere.

72. DIVIDENDS DECLARED.

When a dividend is declared upon any outstanding stock of the corporation, the amount of such dividend should thereupon be charged to this account. All entries to this account should show the amount of stock upon which the dividend is declared, the class of such stock, and the rate of the dividend as well as the amount thereof; and if the dividend is not payable in money the actual money value of the payment should be stated as the amount of the dividend.

When a dividend is declared upon stock of the corporation held in its treasury, the amount of such dividend thereon should be credited to this account.

73. APPROPRIATIONS TO RESERVES.

This account includes all optional appropriations not provided for elsewhere.

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74. OTHER DEDUCTIONS FROM SURPLUS.

This account includes deductions from surplus not provided for elsewhere.

GROUP C.—BALANCE SHEET ACCOUNTS FOR GAS CORPORATIONS AND ELECTRIC CORPORATIONS.

ASSETS.

1. FIXED CAPITAL—PLANT AND EQUIPMENT, DECEMBER 31, 1909.

This account includes the cost of plant and equipment and other property devoted to gas or electric operations at the figures at which such property was carried on the books of the corporation on December 31, 1909.

When any property included in this account is retired from service, the amount at which it is charged therein (estimated, if not known), should be credited to this account. The amount of depreciation or other amortization thereon applicable to the period subsequent to December 31, 1909, should be charged to account No. 37, "Accrued Amortization of Capital," proper account being taken of any salvage, and the remainder of the amount originally charged to capital being concurrently charged to the Profit and Loss account, unless there was carried on the books at that date a reserve to cover retirement of capital from service, in which case the concurrent charge should be made to such reserve account.

2. EXPENDITURES FOR PLANT AND EQUIPMENT SINCE DECEMBER 31, 1909.

For operations subsequent to December 31, 1909, expenditures for plant and equipment or expenditures for additions and betterments to existing plants should be analyzed in accordance with classifications hereinafter provided in Group C.

3. PROPERTY DEVOTED TO OTHER OPERATIONS.

This account includes the cost of the corporation's interests in all property devoted to its operations other than electric or gas and not included in any of the foregoing accounts.

4. PROPERTY ABANDONED.

When any important piece of property, other than land included in capital accounts, is abandoned by reason of its being replaced with enlarged, improved, or more efficient property, the corporation may, if so authorized upon application to the Interstate Commerce Commission, open on its books a Property Abandoned account. The purpose in providing this account is to enable the corporation to charge off during a term

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of years the loss on property abandoned on account of improvements or betterments in the interest of greater efficiency.

When property is charged to this account, it should be at the original cost, less salvage, and less the amount of amortization accrued on the property subsequently to December 31, 1909. The appropriate property account should be credited with the cost of the property; account No. 37, "Accrued Amortization of Capital," should be charged with the amount of amortization; the proper accounts should be debited with salvage, and the balance should be charged to this account, to be extinguished by charges during a period of years to the appropriate maintenance accounts under operating expenses.

NOTE.—This account does not apply to property acquired subsequently to December 31, 1909; on such property the charges to General Amortization should be sufficient to care for all wear and tear, obsolescence, and inadequacy.

5. SECURITIES OWNED OF PROPRIETARY, AFFILIATED, OR CONTROLLED CORPORATIONS.

This account includes the book value of securities of proprietary, affiliated, or controlled companies whose properties form a part of the accounting corporation's operations.

6. INVESTMENTS.

This account includes:

Advances to Proprietary, Affiliated, or Controlled Companies.—This account should show all cash advances made to proprietary, affiliated, or controlled companies to pay for construction, equipment, and additions and betterments. When the companies to which said advances are made issue other securities or notes in payment thereof, the cost of such notes or advances to the accounting corporation should be transferred from this account to account No. 5, "Securities Owned."

Other Permanent Investments.—Charge to this account the cost of the corporation's title to any property acquired not for use in present operations, but as a means for obtaining or exercising control over other corporations, or for income to be derived from them, or for a rise in value, or in anticipation of future operations.

7. REACQUIRED SECURITIES.

When securities have been actually issued to bona fide holders for value, or after issue by another corporation have been assumed by the accounting corporation, and after such issue or assumption have been acquired by the corporation under circumstances which require that they shall not be treated as paid or retired, they should be charged at actual cost to this account in such manner as will show: (a) Stocks, (b) Funded Debt.

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8. MATERIALS AND SUPPLIES.

Under this caption there should appear, at the close of any fiscal period, balances in the accounts representing the value of all unapplied material, including the value of material temporarily in use and not charged out; articles in process of manufacture by the company; also fuel, stationery, and other supplies.

To provide for the distribution of materials and supplies to the proper accounts, clearing accounts should be opened, to which should be charged the cost, including transportation and other incidental expenses, of all materials and supplies the cost of which can not be charged directly to some particular account.

The scrap value of things retired from service should be charged to an appropriate sub-account in this account while they remain the property of the corporation. If such scrap value is not known, and can not readily be determined, it should be estimated, and errors in such estimates when determined should be adjusted through the accounts involved if during the year in which the estimates were made; if later, then through the Profit and Loss account.

Inventories of materials and supplies should be taken at least once a year, and any shortages or overcharges disclosed by such inventories should be credited, or debited, to this account, and debited, or credited, to operating expense account G 179 or E 233, "Miscellaneous Adjustments—Balance," in case they can not be assigned to specific accounts. Where materials and supplies have been used in construction, a suitable proportion of the shortages or overages may be debited or credited to account G 330 or E 338, "Miscellaneous Construction Expenditures."

NOTE.—It is not required that the transportation element of cost shall be assigned with a greater degree of accuracy than to the nearest cent per unit of material or supply. Where a single transportation charge includes a multitude of items, the portion of the expense not assigned to specific items should be charged to the same account to which store expenses are charged.

9. CASH.

This account includes all moneys coming into the possession of the corporation in which it has the beneficial interest, bank credits, checks, and drafts receivable, subject to satisfaction or transfer upon demand (whether payable to bearer or to order). Credit this account with all cash disbursements of the corporation.

10. BILLS RECEIVABLE.

This account includes the cost of all bills receivable (except as herein provided) which are the property of the corporation, and upon which solvent concerns are liable or which are sufficiently secured to be considered good. It includes de-

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mand notes, drafts, etc., issued by others than banks, and time notes, drafts, etc., by whomsoever issued. It does not include investments (for which see account No. 6, "Investments"); nor does it include interest coupons.

11. ACCOUNTS RECEIVABLE.

This account includes all amounts owing to the corporation upon accounts with solvent concerns other than banks; also the cost of collecting all accounts and claims upon which responsibility is acknowledged by solvent concerns or which are sufficiently secured to be considered good, and all judgments against solvent concerns where the judgment is not appealable or suspended through appeal. This account does not include negotiables.

12. INTEREST AND DIVIDENDS RECEIVABLE.

Whenever the Income account is stated the appropriate sub-account therein should be credited, and this account charged, with all accrued but not yet collected interest upon commercial paper and accounts considered collectible and held by or for the benefit of the corporation; also all dividends declared or guaranteed by solvent concerns but not yet collected, the right to which is in the corporation.

13. OTHER WORKING ASSETS.

This account includes the cost of all working assets of the corporation which are not includible under any of the last four accounts.

14. COUPON SPECIAL DEPOSITS.

This account includes all moneys and bank credits specially deposited in the hands of fiscal or other agents for the payment of interest coupons when presented. Coupons paid from such deposits should be credited to this account and charged to the appropriate matured interest account. When payments of interest to trustees or other agents of holders of bonds or other securities are, by virtue of the terms of the securities (or of mortgages supporting such securities), a release from further liability for such interest, the payments should not be charged to this account, but to the appropriate Interest Accrued account.

15. DIVIDEND SPECIAL DEPOSITS.

This account includes all moneys and bank credits specially deposited in the hands of fiscal or other agents for the payment of dividends upon the corporation's stocks. Dividends paid from such deposits should be credited to this account and charged to the appropriate dividend account.

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16. OTHER SPECIAL DEPOSITS.

This account includes all moneys and bank credits deposited in the hands of fiscal or other agents for special purposes other than the payment of interest coupons and dividends. Charges to this account should specify the purpose for which the deposit is made. When such purpose is satisfied this account should be credited with the amount specially deposited to provide such satisfaction.

17. ADVANCES.

This account includes:

Working Funds.—To this account should be charged amounts advanced to agents, officers, or employes as working funds from which certain expenditures are to be made and accounted for later.

Other Advances.—This account should include any other advances made by the accounting corporation and not included in the preceding or in Investment accounts.

18. INSURANCE PREMIUMS PAID IN ADVANCE.

When premiums on insurance policies are paid in advance of their accrual, the amount prepaid (whether paid in cash or by the issue of notes or other negotiable paper) should be charged to this account. As such premiums accrue they should be credited at monthly intervals to this account and charged to the appropriate expense account.

19. TAXES PAID IN ADVANCE.

When taxes are paid in advance of their accrual, the amount prepaid should be charged to this account. As the taxes thus prepaid accrue, they should be credited at monthly intervals to this account and charged to the appropriate taxes account. This account should not include any so-called taxes, like water taxes, drainage taxes, fire taxes, etc., which are payments for special benefits received. Such payments, where finally chargeable to operating expenses, should, when prepaid, be charged to account No. 21, "Other Prepayments."

20. RENTS PAID IN ADVANCE.

When rents are paid in advance of the enjoyment of the term, the amount prepaid (whether paid in cash or by the issue of notes or other negotiable paper) should be charged to this account. As the term is consumed this account should be credited at monthly intervals and the appropriate rent account in the Income account should be charged.

21. OTHER PREPAYMENTS.

When prepayments are made other than for taxes, insurance, and rents, above provided for, such prepayments should be charged to this account; and as the purpose of the prepay-

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ment is satisfied, proportionate amounts should be credited monthly to this account and charged to the appropriate expense or Income account.

22. UNAMORTIZED DEBT DISCOUNT AND EXPENSE.

EXPLANATORY NOTE.—When any expenditure is made, the appropriate disposition of which is not yet determinable, or when any loss occurs which is to be spread over a period of time, or when any other debit is amortized through charges made to expense or income accounts at intervals over a period of time, such expenditure, loss, or other debit should, except as herein otherwise directed, be charged to the appropriate suspense account.

The word "amortization" as used herein denotes the gradual extinction of a charge, or the clearing off of expiring value. It is applied to tangible or intangible property, wherein it is more comprehensive than "depreciation."

When funded debt securities and other evidences of indebtedness are disposed of for a consideration whose cash value is less than the sum of the par value of the securities or other evidences of indebtedness and the interest thereon accrued at the time the transfer takes place, the excess of such sum of the par value and accrued interest over the cash value of the consideration received should be charged to this account. To this account should also be charged all expenses connected with the issue and sale of evidences of debt, such as fees for drafting mortgages and trust deeds, fees and taxes for recording mortgages and trust deeds, cost of engraving and printing bonds, certificates of indebtedness, and other commercial paper having a life of more than one year; fees paid trustees provided for in mortgages and trust deeds, fees and commissions paid underwriters and brokers for marketing such evidences of debt, and similar expenses. At or before the close of each fiscal period thereafter, a proportion of such discount and expense based upon the life of the security to maturity should be credited to this account and charged to account No. 69, "Amortization of Debt Discount and Expense." Such discount and expense may, if so desired, be amortized more rapidly through charges of all or any part of it, either at the time of issue or later, to account No. 74, "Other Deductions from Surplus."

23. DISCOUNT ON CAPITAL STOCK SOLD—UNAMORTIZED.

When any class of capital stock is disposed of for a consideration the cash value of which is less than the par value of the stock, the difference between the value of such consideration and the par value should be charged to this account.

At or before the close of any fiscal period thereafter the company may make such appropriation from corporate surplus as will reduce or clear off this account.

NOTE.—See Explanatory Note under account No. 22.

24. OTHER SUSPENSE.

To this account shall be made all debits not provided for elsewhere, the proper final disposition of which is uncertain. This includes all expenses of preliminary surveys, plans, inves-

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tigations, etc., made for determining the feasibility of projects under contemplation. Should any such project later be carried to completion, the amounts so expended should be credited to this account and charged to the proper capital account; should it be abandoned, the amounts should be charged to Profit and Loss.

When the proper disposition of any expenditure charged to this account is determined, it should be credited to this account and charged to the appropriate account.

NOTE.—See Explanatory Note under account No. 22.

25. DEFICIT—PROFIT AND LOSS—BALANCE.

In case the debit balance of the Profit and Loss account is less than the account "Appropriated Surplus," that account should be stated in short column on the credit side of the balance sheet. From this should be deducted the Profit and Loss debit balance and the net amount remaining should be extended as "Free Surplus—Profit and Loss—Balance." If, however, the debit balance of the Profit and Loss account is in excess of the total of Appropriated Surplus, the difference between such debit balance and the total of appropriated surplus should be shown as "Deficit—Profit and Loss—Balance."

LIABILITIES.

26. CAPITAL STOCK.

In the accounts of stocks outstanding, a separate account should be raised for each class issued and no two stocks should be considered of the same class unless they are equal in their interest or dividend rights, their voting rights, and the conditions under which they may be retired. The characteristics of any class of stock in these three respects should be designated in the title of the account raised to cover such stock, and should be clearly outlined in the first entry in such account. When stock of any class is issued, the par value thereof should be credited to the account for that class. If such issue is for money, that fact should be stated; if for any other consideration than money, the person to whom issued should be designated, and the consideration for which issued should be described with sufficient particularity to identify it; if such issue is to the treasurer or other agent of the corporation, to be disposed of by him for the benefit of the corporation, that fact and the name of such agent should be shown, and such agent should in his account of the disposition thereof show the like details concerning the consideration realized thereon, which account when accepted by the corporation should be preserved as a corporate record.

If the fair cash value of the consideration realized upon the issue of any amount of stock is greater than the par value of such stock, the excess should be credited to a sub-account

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entitled "Premium on Capital Stock Sold," under this account, and corresponding reference thereto should be contained in the entry relating to such stock in the stock account.

Premiums on stock should be sub-classified with respect to the several classes of stock. A sub-account should be kept for each class of stock.

When a premium is realized upon an issue of any class of stock, such premium should be credited to the sub-account, "Premium on Capital Stock Sold," for that class of stock, and the credit should remain in the account so long as the stock remains outstanding. By "premium realized" is meant the excess of the actual money value of the consideration at the time of issue of the stock, over the par value of the stock. If the stock is issued by the corporation to its treasurer or other agent, the excess of the actual money value of the consideration obtained by him over the par value of the stock should be considered the premium realized. When stock is sold for a consideration the value of which is less than the par value of the stock, the discount, or difference between the value of such consideration and par value, should be charged to account No. 23, "Discount on Capital Stock Sold—Unamortized."

27. FUNDED DEBT.

When any evidences of funded indebtedness are issued, the par value thereof should be credited to this account. The entry should show not only the amount issued, but the purpose for which issued, and should make intelligible reference to the book, page, and account wherein are shown any discounts or premiums realized on the amount issued. If the consideration received for the issue is anything other than money, the entry should show further the person to whom issued, and should describe, with sufficient particularity to identify it, the actual consideration received for the issue. If the issue in any case is to an agent of an undisclosed principal, the name and business address of such agent and the fact of his agency should be shown in the entry.

28. UNAMORTIZED PREMIUM ON DEBT.

When evidences of indebtedness are disposed of for a consideration the value of which is greater than the sum of the par value of such evidences of indebtedness and accrued interest thereon, such excess should be credited to this account. At monthly intervals thereafter a proportion of such premium, based upon the life of the evidence of indebtedness, should be charged to this account and credited to account No. 70, "Amortization of Premium on Debt—Cr.," in Income account; or, at the option of the corporation, the charge to this account may be delayed to a time not later than the date of maturity of the debt, in which case the proportion applicable to the period covered by the then current income account should be credited

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to account No. 70, and the remainder credited to the Profit and Loss account.

29. CONSUMERS' DEPOSITS.

This account includes all cash deposited with the corporation by consumers as security for the payment of bills. Deposits refunded should be charged to this account and credited to account No. 9, "Cash." Deposits applicable to uncollectible or worthless bills should, at or before the close of the fiscal year, be credited to the account of the consumer involved and debited to this account.

30. LOANS AND BILLS PAYABLE.

This account includes balances appearing in the accounts representing obligations outstanding in the form of loans and bills payable or other evidences of debt not properly classed as funded debt.

31. AUDITED VOUCHERS AND WAGES UNPAID.

This account includes the amount of audited vouchers, accounts, and payrolls unpaid on the date of the balance sheet. It also includes unclaimed wages and outstanding pay, time, or discharge checks issued in payment of wages.

32. OTHER WORKING LIABILITIES.

This account includes items of working liabilities not covered by accounts Nos. 29, 30, or 31.

33. TAXES ACCRUED.

Credit to this account at the close of each month the taxes accrued during the month, and make corresponding charges to the appropriate Taxes account. Credits to this account will necessarily be based upon estimate until the amount of tax levied for the tax period is known. Such estimates should be based upon the best data available, and as soon as the amount of tax for the period is known the account involved should be adjusted to conform thereto. When any tax is paid it should be charged to this account and credited to account No. 9, "Cash," or other suitable account.

34. INTEREST ACCRUED.

Credit to this account at the close of each month the interest accrued during the month upon indebtedness of the corporation. When the interest is paid it should be charged to this account and credited to account No. 9, "Cash," or other suitable account.

This account does not include interest on judgments, or on receivers' certificates. The interest accruing on any judgment against the corporation or on any receiver's certificate

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should be credited to the account to which such judgment or receiver's certificate stands credited.

35. RENTS ACCRUED.

Credit to this account at the close of each month rents payable accrued during the month, and make corresponding charges to the appropriate Rent accounts. When rents are paid, the amounts should be charged to this account and credited to account No. 9, "Cash," or other suitable account.

36. DIVIDENDS DECLARED.

When any dividend is declared it should be credited to this account and here remain until it is paid, when it should be charged to this account and credited to account No. 9, "Cash," or other suitable account.

37. ACCRUED AMORTIZATION OF CAPITAL.

This account includes amounts charged from time to time to Operating Expenses or to other accounts to cover depreciation of plant and equipment, and other amortization of capital. When any capital is retired from service the original money cost thereof (estimated, if not known; where estimated, that fact and the facts upon which the estimate is based should be stated in the entry), less salvage, should (except as provided in account No. 1, "Fixed Capital—Plant and Equipment, December 31, 1909"), be charged to this account. The amount originally entered or contained in the charge to any capital account with respect to capital going out of service should be credited to that capital account, and any necessary adjusting entry should be made through Profit and Loss account.

38. APPROPRIATED SURPLUS—RESERVES.

(a) *Invested in Sinking and Redemption Funds.*—There should be included in this account all amounts charged against the corporation's income account for sinking-fund payments; accretions to sinking fund in the hands of trustees; also amounts realized and turned over to sinking-fund trustees or used in the purchase of the corporation's outstanding obligations, either by sinking-fund trustees or the accounting corporation, when such sums are realized from other sources than the corporation's income.

(b) *Insurance and Casualty Reserves.*—When any admitted liability arises because of loss or damage to the property of others, or of injuries to employes or other persons, the amount of the liability may (if not previously provided for by insurance or self-insurance) be charged to the appropriate Operating Expense or other accounts and credited to this account, against which (in such case) the actual cost of satisfaction of the liability should be charged when the matter is determined.

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If the extent of the liability can not be ascertained promptly after the liability arises, it may be estimated as accurately as practicable for the purpose of determining the immediate charge to the expense or other appropriate account, in which case the matter should be adjusted when the extent of the liability is definitely ascertained. If the loss is of such character that it is in whole or in part indemnifiable under any contract of insurance carried by the corporation, the indemnifiable portion of the loss should be charged to the insurer and credited to this account. Also credit to this account the amounts charged to Operating Expense account G 170 or E 225, "Insurance," to cover self-carried risks.

(c) *Other Reserves.*—Credit to this account all reserves not provided for elsewhere. The first entry of a credit to this account with respect to any particular reserve should show the purpose of the reserve, and every subsequent entry with respect to that reserve should designate the reserve to which it relates.

39. FREE SURPLUS—PROFIT AND LOSS—BALANCE.

This account should include the balance, if any, standing to the credit of the Profit and Loss account.

When there is a debit balance in the Profit and Loss account, but such balance does not exceed the total credit balance of the Appropriated Surplus—Reserves, the latter is to be stated in short column and the debit balance of Profit and Loss account deducted therefrom, the difference being extended to the total column as the net appropriated surplus. When the debit balance in Profit and Loss account exceeds the total credit balance of Appropriated Surplus—Reserves, the accounts are to be stated as prescribed in account No. 25.

The Government Accountant

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WASHINGTON, D. C.

J. P. Muller, Editor
ASSOCIATE EDITORS

Richard M. Chapman

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Norman E. Webster, Jr.

APRIL 30, 1910.

In a Retrospective Mood.

We saw the Association of American Government Accountants organized with a rush nearly four years ago, when the work of the Keep Commission threw a good many able men together, who, in the ordinary course of events, might have served a lifetime in the Federal Departments, working in different ways toward the same ends, within a few hundred feet of one another, each without knowledge of the like efforts of a host of individuals similarly situated and inspired by the same ardent desire for accomplishing some allotted routine task in the manner best calculated to meet the requirements of the laws and regulations.

These men quickly realized the value of closer association with each other. At first a mere handful, meeting at private houses, the number grew quickly and the idea of a formal society was no sooner conceived than it was executed. Unfortunately in their enthusiasm the founders lost sight of the keystone of all permanency and failed to make certain that all new members thoroughly understood the association's purpose, were imbued with the same spirit, and were conscientiously trying to be mutually helpful. In some manner a ridiculous notion became current among Federal employes that membership in the new association, without any further effort on their part, would be, in effect, a clean bill of efficiency and insure promotion. That quite a number joined under this impression seems clearly proven by later developments in the affairs of the association. Beginning with a nominal membership of about 800, its lectures at the Hall of the Public Library during the first 18 months were so poorly attended that the Committee on Lectures and Meetings became completely discouraged and recommended a discontinuance of this feature at the annual meeting one year ago.

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A small body of the old guard, aided by new members of the same indomitable courage, undertook the task of revivification. One of the results of their combined efforts is shown in the "Roll of Members" printed on pages 516 to 519 of this issue. No comment is needed for those who take the trouble to read these pages carefully. The lectures were somewhat better attended than those of the preceding seasons, attendance varying from 48 to 93 heads; comparatively a good record, but not nearly so good as the topics presented and the high character of the speakers would have led one to expect.

The chief purpose of this society necessarily is the intelligent exchange of experiences and opinions. To achieve its greatest usefulness this process must be participated in by the greatest possible number of the responsible and representative officials of the accounting branches of each Federal Department. Greater economy in administration through unification of methods and the elimination of waste efforts can only be brought about through painstaking study by individuals acting in concert with all others similarly minded and placed. No effective method has ever been discovered or invented for helping the man of brains and intelligence who refuses to help himself!

Another annual meeting for the election of officers is near at hand; the present membership furnishes a healthy body of many willing workers, which only needs the leadership of some higher administrative officers who can guide and direct the association's efforts to produce excellent results of a permanent nature. Will these men be found?

Association of American Government Accountants

Organized November 14, 1906.

Post Office Box 27, Main Office, Washington, D. C.

OFFICERS AND COMMITTEES.

Elected at the annual meeting held May 27, 1909, to serve for one year.

Officers.

Le Grand Powers, President. (Bureau of the Census.)
Alonzo Tweedale, Vice President. (Municipal Building, D. C.)
James L. Wilmeth, Treasurer. (Treasury Department.)
E. S. Hobbs, Secretary. (Interstate Commerce Commission.)

Standing Committees.

The Chairmen of these committees are Trustees, and together with the officers form the Board of Trustees.

Editorial.

J. P. Muller, Chairman. (Interstate Commerce Commission.)

Finance.

Theo. L. De Land, Chairman. (Treasury Department.)

Membership.

C. W. Barry, Chairman. (War Department.)

Lectures and Meetings.

Alonzo Tweedale, Auditor for the District of Columbia.

Library.

Samuel J. Barclay, Chairman. (Interstate Commerce Commission.)

Education.

Noble Newport Potts, Chairman. (Department of Commerce and Labor.)

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OBJECTS OF THIS ORGANIZATION:

1. To unite in one organization employes of the Federal, State and Territorial Governments of the United States of America, and of the District of Columbia, including Municipal Officers and employes of City Governments having control of or participation in accounting, including the subjects of appointment, purchase, and issue or sale, collecting and disbursing, examining and auditing, bookkeeping, statistical and actuarial subjects.

2. To encourage and facilitate the adoption of economical, expeditious, progressive, and uniform methods in handling the accounting features of the fiscal operations of the Government.

3. To provide means for the technical education and independent study of its members—

First. By promoting and encouraging the study and discussion of questions of advanced and practical accounting and adaptations and improvement of methods.

Second. By originating and disseminating original essays and papers concerning the theory, law, and practice of accounting, and encouraging the expression of individual opinion on controverted points.

Third. By providing occasional addresses on particular features of accounting, either governmental or commercial, by persons outside the Association having expert technical knowledge and experience.

Fourth. By providing a library and a catalogue of the works on accounting and kindred subjects at present available in various local libraries.

Fifth. By advocating systematic instruction in accounting and administration in schools and colleges.

MEMBERSHIP:

The membership of this Association shall consist of three classes, Associate, Active, and Affiliated.

1. Associate Members: All Government employes whose titles or duties are those of accountant, actuary, auditor, statistician, bookkeeper, cashier, chief of division of accounts, comptroller, disbursing officer, examiner, inspector, law clerk, or purchasing agent, and generally all those having to do with the initiation, approval, settlement, audit, and record of fiscal transactions, as well as the Government Examiners for Banking, Insurance, Transportation or Public Service Corporations, are eligible for associate membership in the Association.

2. Active Members: Such persons as shall have been satisfactorily tested as to their qualifications shall become eligible for active membership in this Association.

3. Affiliated Members: Such persons as are, or may have been, in the Government service, and are actively interested in the subject of accounting, and whose attainments in that line are such as to merit such recognition, are eligible for affiliated membership in this association.

Association of American Government Accountants.

ROLL OF MEMBERS having paid annual dues for the year
ending May 31, 1910, on or before April 30, 1910.

(Members are Associate unless otherwise designated.)

*Indicates active membership.

**Indicates affiliated membership.

Allen, R. J. F.	Office Comptroller of Treasury.
*Andrews, W. E.	Auditor for Treasury Department.
*Arthur, W. S.	U. S. Reclamation Service, Huntley, Mont.
Baker, Jasper N.	Office Auditor Postoffice Department.
*Baker, John E.	Bureau of the Census.
*Balch, C. F.	Interstate Commerce Commission.
Baldwin, S. T.	Bureau Supplies and Accounts, Navy Department.
Ball, Henry B.	Bureau of Labor, Dep't of Commerce and Labor.
*Barclay, Samuel J.	Interstate Commerce Commission.
Barr, E. M.	Navy Dep't, Bureau Supplies and Accounts.
Barrick, H. L.	Office Auditor Treasury Department.
Bartlett, L. M.	Office Auditor Postoffice Department.
Barton, D. J.	Q. M. General's Office, War Department.
Beach, E. L.	Office Auditor War Department.
Beene, R. O.	Government Printing Office.
Belt, J. B.	Deputy Auditor, Interior Department.
**Benson, E. S.	165 Broadway, New York, N. Y.
*Biggs, J. S.	Bureau of Corporations.
Braddock, Frank W.	U. S. Treasury, New York City.
Brinkerhoff, G. D.	Rock Island Arsenal, Rock Island, Ill.
Brooks, Alfred H.	Geological Survey.
Brown, Wm. L.	Library of Congress.
Buck, John J.	Reclamation Service, Deerfield, Kan.
Buckler, C. H.	Office 3d Ass't P. M. Gen., Postoffice Department.
Bunnell, M. J.	Office Auditor State Department.
*Bunting, Guy J.	Interstate Commerce Commission.
*Burleigh, W. E.	Interstate Commerce Commission.
*Byler, J. W.	General Land Office.
Campbell, H. R.	Chief Clerk, Washington County (Washington, Pa.) Commissioners.
*Campbell, R. C.	Interstate Commerce Commission.
Carey, Fred W.	City Auditor and Assessor, Sacramento, Cal.
Carpenter, J. S.	Pay Inspector, U. S. N.
*Casey, Henry	Office Auditor Interior Department.
*Cash, B. F.	Examiner, Department of Justice.
Chandler, Geo. L.	Office Treasury U. S.
**Cheadle, H. W.	City Clerk, Duluth, Minn.
Clark, Arthur H.	Isthmian Canal Commission, Empire, Canal Zone.
Clawson, Ray R.	Reclamation Service, Boise, Idaho.
Collier, Carl	Paymaster General's Office, War Department.
Conard, Chas.	Paymaster, U. S. N., Bureau of Supplies and Acct's.
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Coope, Harry	Division of Bookkeeping and Warrants, Treasury Department.
*Cosgrove, Fred'k H.	Deputy City Comptroller, Omaha, Neb.
Cox, Wm. P.	Dep't of Agriculture, Bureau of Plant Industry.
*Craig, William	Paymaster's Clerk, U. S. Navy, Portsmouth, N. H.
Crawford, John J.	Pension Office.
Croissant, V. G.	Reclamation Service.
Croxall, M. L.	Disbursing Clerk, Navy Department.
Cundiff, Frank S.	Reclamation Service, Yuma, Ariz.
*Curry, Miss Cora C.	Dep't of Commerce and Labor, Bureau of Navigation.
**Curtis, Frank E.	Care of Kaul Lumber Co., Birmingham, Ala.
*Daly, Chas. P.	Office Quartermaster General, War Department.
*Darden, Thomas F.	Interstate Commerce Commission.
Davis, Allan	Principal, Business High School.
*DeLand, Theo. L.	Examiner, Treasury Department.
Denmark, G. K.	U. S. Geological Survey.

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- Dix, Geo. W. Office Auditor War Department.
- Dodge, Pickering. Office Engineer Department, War Department.
- Dolan, P. V. Office Auditor War Department.
- Downing, Miss Elizabeth. Civil Service Commission.
- Dressler, J. M. Isthmian Canal Commission.
- Durand, E. D. Director of the Census.
- Dyer, Geo. P. Paymaster, U. S. N., Bureau of Supplies and Acct's.
- Eggleston, Willis J. Reclamation Service, Helena, Mont.
- Evans, W. McK. Room 615, Mutual Bldg., Richmond, Va.
- Faunce, S. E. Office Auditor War Department.
- Fellowa, Miss H. A. Reclamation Service.
- Ferguson, Eugene Lee. National Home for D. V. S., New York City.
- Fitch, W. C. Supt. Postoffice Dept., 1st and K streets N. E.
- Fithian, Don. C. Bureau of Insular Affairs, War Department.
- Fitzsimmons, W. A. Bureau Accounts, State Department.
- Gallagher, Miss Tillie. Office Auditor Navy Department.
- Gates, Chas. J. Office Treasury U. S.
- Geekie, George. Interstate Commerce Commission.
- Gould, J. W. DuB. 122 East 34th street, New York, N. Y.
- Graham, W. H. Rate Section, Treasury Dept.
- Greene, Elwyn. Office Auditor War Department.
- Gunnell, A. A. Insular Bureau, War Department.
- Guthrie, R. E. Office Auditor Interior Department.
- Hall, Edward C. Interstate Commerce Commission.
- Hamill, James H. Office, Auditor District of Columbia.
- Hancock, John M. Ass't Paymaster, U. S. Navy Yard, Philadelphia.
- Hand, Gaston C. Interstate Commerce Commission.
- Hansen, Arnold C. Bureau Statistics and Accounts, Interstate Commerce Commission.
- Harris, J. D. Examiner, Department of Justice.
- Harrison, J. M. Office Auditor Treasury Department.
- Hawkins, E. S. U. S. Custom House, New York, N. Y.
- Hendricks, Walter F. Office Auditor for War Department.
- Henry, N. G. Coast and Geodetic Survey.
- Hering, James C. Bureau of Indian Affairs, Department of Interior.
- Herschel, A. H. Dep't of Commerce and Labor, Bureau of Corporations.
- Heupel, Jno. L. Office Auditor Treasury Department.
- Hillyer, Andrew F. Office Auditor Interior Department.
- Hindmarsh, W. B. Lighthouse Service.
- Hirst, Homer T. Office Auditor Interior Department.
- Hobbs, E. S. Interstate Commerce Commission.
- Hoblitzell, Wm. A. Census Office.
- Hogue, C. C. Reclamation Service, Klamath Falls, Ore.
- Howard, A. L. Business High School.
- Hughes, A. J. Reclamation Service, Provo, Utah.
- Hutchins, F. Lincoln. Box 52, Capitol Station, Albany, N. Y.
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- Haley, Reuben L. Internal Revenue.
- Ingalls, Theodore. Office Postmaster General.
- Jackson, Elmer E. Office Auditor Interior Department.
- Jacobs, S. R. Office Auditor State and Other Departments.
- Jochum, W. I. Postoffice Department, Division of Finance.
- Johnston, Joe P. Postoffice Inspector in Charge, Kansas City, Mo.
- Judson, C. C. Postoffice Department, Finance Division.
- Keating, Chas. H. Deputy Auditor for the Postoffice Department.
- Kelfer, Abraham B. Ass't Chief, Office Auditor Postoffice Department.
- Kemp, J. S. Internal Revenue Bureau, Treasury Department.
- Kern, J. Q. Office Auditor War Department.
- Kirksey, F. W. U. S. Reclamation Service, New Rochelle, N. Y.
- Krieger, J. W. Interstate Commerce Commission.
- Lee, J. B. K. Washington Navy Yard.
- Lemon, W. H. Office Auditor Treasury Department.
- Lewis, J. O. Office Comptroller of Currency.
- Lind, E. G. 731 13th street N. W.
- Linton, F. B. Department of Agriculture.
- Lipscomb, Lee M. Office Auditor Postoffice Department.
- Lutz, Charles A. Interstate Commerce Commission.
- McCord, Sidney P. Comptroller's Office, Camden, N. J.
- McDaniel, J. A. 941 S street N. W., Washington, D. C.
- McGowan, Samuel. Pay Inspector, U. S. Navy, U. S. S. "Connecticut."
- McLaughlin, F. M. Dep't of Agriculture, Bureau of Plant Industry.
- McMichael, S. J. Office Auditor Postoffice Department.
- McMillan, Robert F. Interstate Commerce Commission.
- McPherson, F. H. Union Trust Bldg., Detroit, Mich.

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- Maling, Ernest H. Census Office.
Mallon, T. S. Office Auditor Postoffice Department.
**Marvin, H. A. Kensington Chambers, Cambridge, Mass.
Masten, Geo. L. Bureau of Corporations, Dep't of Commerce and Labor.
Mercier, Scott B. Office Auditor Interior Department.
Merritt, Leonard A. State Department, Bureau of Accounts.
**Moore, George F. President, Mfgs' Ry. Co. of St. Louis.
*Moore, J. H. Interstate Commerce Commission.
Morey, Miss Nellie D. Office Auditor State Department.
*Muller, Jean Paul. Interstate Commerce Commission.

*Nall, J. H. Interstate Commerce Commission.
*Neall, John Pratt. Interstate Commerce Commission.
Newell, F. H. Director, Reclamation Service.
*Newman, E. D. Reclamation Service, Mitchell, Nebr.

O'Daniel, E. P. Office Treasurer of the United States.
Offutt, Armand. Reclamation Service.

Parsons, Jno. W. Office Supervising Architect, Treasury Department.
Peoples, C. J. Paymaster, U. S. N.
Persouel, R. S.
Porter, Felix E. Disbursing Office, Empire, Canal Zone.
Potts, N. N. Disbursing Office, Dep't of Commerce and Labor.
*Powers, Le Grand. Chief Statistician, Census Office.
Powers, Lorin C. Bureau of Municipal Research, Philadelphia, Pa.
Price, Byron J. Deputy Auditor, Navy Department.
Prince, Thos C. Ass't Quartermaster, U. S. Marine Corps.
Purcell, Hugh M. Chief of Property Division, Office Chief of Ordnance, War Department.
Pyne, Frederick G. Paymaster, U. S. Navy, U. S. S. "Georgia."

**Quarles, Alex. H. Room 368, Colman Bldg., Seattle, Wash.
*Quill, John J. Interstate Commerce Commission.

Randall, Jas. A. Supply Division, War Department.
Randolph, Paul. Bureau Insular Affairs, War Department.
Ray, J. E. B. Office Auditor Interior Department.
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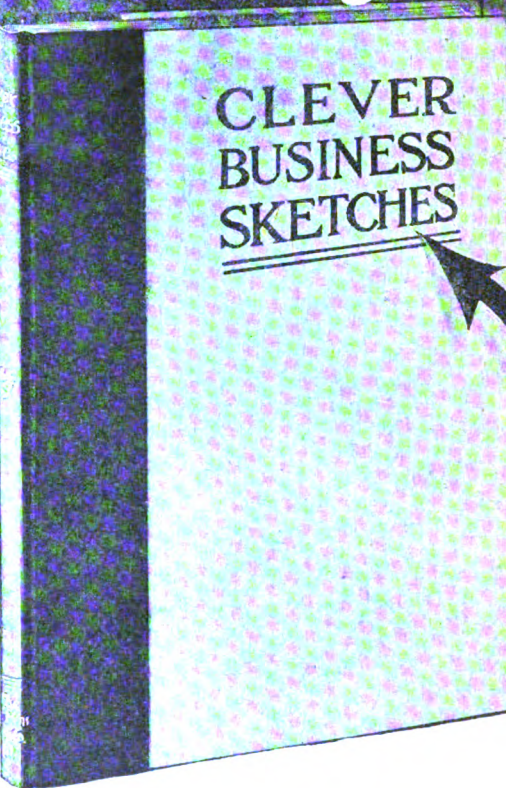
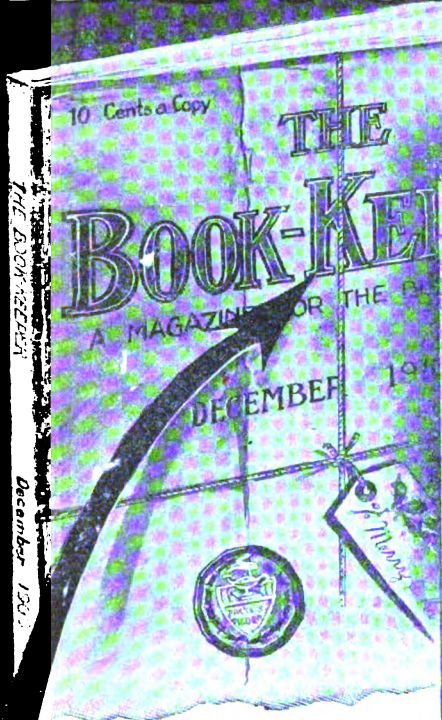
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